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EDITORIAL

As We See It

It is now evident that preparations are being made for a violent propaganda battle at San Francisco next week. The Japanese Peace Treaty "conference" was, of course, called in the first place for its propaganda value. Doubtless the Kremlin's eleventh hour decision to attend is in recognition of these possibilities of the occasion, and no one familiar with the course of such occasions in recent years will doubt for a moment that the gage of battle will be quickly thrown down by the Communists or that the fathers of the conference plan will soon find their mettle tested. Probably the decision of India not to attend is closely related to the somewhat difficult position she would find herself in as soon as the fireworks started.

It would be a much pleasanter world and, all things considered, a much more rational world if these carefully staged propaganda conflicts could safely be ignored. We are afraid, however, that we shall have to take the world and the people therein much as we find them, and in this event appearances as well as actualities must be given due consideration. In particular, we can not ignore the appearance which this proposed treaty with Japan might be made to take on through clever and thoroughly dishonest pretensions of the clever propagandists who abound in Soviet circles.

Still more important in the long run is it that we never lose to sight the fact that our whole course in international affairs offers all formerly exploited peoples, or "colonial areas" as they are now often dubbed, ground for natural suspicion.

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Economic Outlook: Inflation or Deflation

By ARTHUR R. UPGREN*

Economic Consultant, Minneapolis "Star and Tribune"
Professor of Economics, University of Minnesota

Asserting deflationary forces will be in preponderance during next nine months, Prof. Upgren bases this contention on: (1) the budget surplus of $7\frac{1}{2}$ billion; (2) prospective heavy inventory liquidation; (3) recent effective credit controls. Foresees renewed inflationary forces after inventory liquidations.

This is an excellent time to survey the economic outlook. We are mid-way in the year so that most statistics are conveniently available; our statistics are ample and very descriptive of the entire economy; and there has elapsed more than a year since the outbreak of conflict in Korea. All this improves our perspective and should improve our judgment on what is ahead.

Arthur R. Upgren

What we have had during the past year is an intense private boom. It has been in excess over the "public boom" represented by national defense expenditures. For example, in the last 12 months inventories have increased by more than $17,500,000,000. That has been the greatest single inflationary force. That inventory boom was financed by an expansion of almost $12,000,000,000 in bank loans. The boom, on private account, also embraced a sharp increase of $22,500,000,000 in personal consumption expenditures which was financed by a rise of $27,000,000,000 in labor income, not to mention an expansion of $3,500,000,000. of total consumer credit in use. Expenditures of business for plant and equipment advanced by about $7,000,000,000, financed by an increase in flotation of new corporate securities.

Thus we see three immensely inflationary forces, from

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*An address by Prof. Upgren before the Graduate School of Savings and Loan, Indiana University, Bloomington, Ind., Aug. 21, 1951.

Stock Market Outlook For Balance of 1951

By JOHN D. RIORDAN*

Editor in Chief, Business Statistics Organization, Babson Park, Mass.

Statistical expert outlines opposing views of stock market analysts on probable trend of stock prices, and concludes investors should not be "giddily bullish" but should maintain a strong position, keeping in mind possible sizable uptrend of inflation. Advises holding of stocks which, relative to price, have high asset value, which are good earners, and which represent essential industries.

As the Dow-Jones Industrial Average creeps hesitatingly into the hallowed ground not trod upon since the dying days of the New Era, all financial eyes are fixed on the months immediately ahead. *Will common stocks rush ahead now that the peaks of earlier this year have been scaled and prices are "out in the clear"? Or is the current effort but the final gasp of the long post-World-War II upswing?*

John D. Riordan

The Bulls Say—Statistically, common stocks do not appear to be overvalued. In the market today you can buy $1,000 of corporate earnings for approximately $8,600. Or, put it another way—assuming about one-half of these earnings are paid out in dividends, if you want to get an annual income of $1,000 in dividends, you can do so for a cost of about $15,500. How do these prices compare with the cost to you of earnings and dividends in years gone by? Let us take a look at the bull market years of 1937 and 1929 — dates when history later proved conclusively that stocks were

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*An address by Mr. Riordan at the Babson's Summer Business Conferences, New Boston, N. H., Aug. 24, 1951.

MADE YOUR SPACE RESERVATIONS YET?—There's still time to make reservations for advertisements to appear in the "Chronicle's" Special National Security Traders Association Convention Issue. The convention will be held at Coronado Beach, Calif., from September 30 to October 4.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

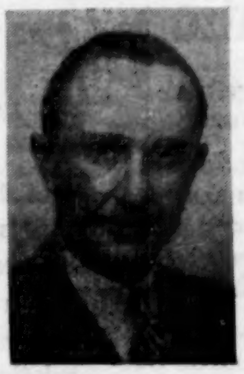
(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

GEORGE A. BUTLER
Senior Partner, Butler, Moser & Co., New York City

Walt Disney Productions Common Stock

Walt Disney and Television

In my opinion, Walt Disney's film library, almost all in technicolor, is worth a fortune in television. Whether these movies will be sold or leased in the near future or in six months or a year, I don't pretend to know. I think that eventually something along these lines will be worked out, and when it is, Disney stockholders should benefit handsomely.



George A. Butler

Walt Disney's initial plunge into television with a 60-minute Christmas Day show called "One Hour in Wonderland," and sponsored by the Coca Cola Company, has been hailed as both an entertainment and production triumph by critics throughout the nations.

N. Y. "Times": "Walt Disney can take over television any time he likes."

N. Y. "Herald Tribune": "Walt Disney's hour-long Christmas production, the premiere showing of Disney's celebrated characters on television, must have struck despair into the hearts of most people who earn a living in the medium. There is nothing in television even remotely comparable to Mickey Mouse, Donald Duck, Dopey, Goofy, Pluto, and the rest of them. And there isn't likely to be ever."

The Christmas Day show reached an estimated 20,000,000 viewers. It not only highlighted a preview of the released, "Alice in Wonderland," but also called to the attention of this vast audience that they could see the picture in their favorite theatres this year. ("Alice" was released on Aug. 1, 1951.)

Television is regarded by Mr. Disney as one of the most important channels for the development of a new motion picture audience.

Disney's cartoons and feature pictures are a natural for television, and eventually should provide substantial and continuing earning power in this medium. Look at it this way—most pictures are "dated," and after a certain period of time have little, if any, re-release value. Disney's film library, on the other hand, is ageless and has a constant re-release value. For example, almost one-half of the Christmas Day telecast, which was reviewed with raves by the critics, consisted of the feature picture "Snow White," a film 12 years old.

On checking with people in the industry, we have ascertained that it costs between $15,000 and $25,000 to produce a black-and-white short for television today. A color short costs between $35,000 and $50,000 to produce. Disney has about 400 shorts (including may be 100 black-and-whites) and 17 color full-length pictures. If the latter were shown as serials, taking about a week for the entire showing, they would be about the equivalent of another 119 shorts, or a total of 519 shorts in all. At the low cost-of-production figure for color shorts of $35,000, the reproduction costs would be $18,165,000, or $28 per share of Disney stock. At the higher cost-of-production figure of $50,000, the reproduction cost of these 519 films would be $25,950,000, or $40 per share. These figures do not take into account the fact that features cost more per minute than shorts.

In the report for the 26 weeks ended March 31, 1951, Mr. Disney stated:

"We are continuing to give serious study to the way in which our large library of completed features and short subjects may be used on television and to what the company's eventual position and policies should be with respect to that medium. No final decisions have been made and we have no definite plans and no commitments at this time. But the ultimate relationship between television and the activities of our company is, we think, becoming clearer to us.

"Our experience with our Christmas Day television show last year, which introduced Walt Disney's "Alice in Wonderland" to over 20,000,000 people, leads us to believe that television can be a most powerful selling aid for us, as well as a source of revenue. It will probably be on this premise that we enter television when we do.

"Meanwhile we have just recently begun to explore another field of television activity—the production of live action films especially designed for TV, including commercials, spot announcements and serialized dramatic and comedy shows. This work will be carried on through a controlled subsidiary, Hurrell Productions, Inc., which, in effect, is a tenant on our studio lot at Burbank. However, it is much too early to attempt an evaluation of our progress, or to predict our future, in this new and highly competitive field."

Business

In addition to the release of short cartoons, gross income in the fiscal year ended Sept. 30, 1950, was derived from "Ichabod and Mr. Toad," first released in October, 1949, and "Cinderella," which began its release in February, 1950. First cash from the all live-action feature, "Treasure Island," which had its world premiere in July, 1950, was not received until after the close of the fiscal year.

On or about Aug. 1, 1951, "Alice in Wonderland" was released in this country, London and Paris. Its reception has been much better than anticipated—in theatre parlance, a "smash hit." All over the country reports have come in to the effect that "Alice" has boosted theatre receipts substantially. "Alice" promises to be a source of income for many years to come.

Character Merchandising

The sale and licensing of toys, books, magazines, music and merchandise bearing the names and likenesses of Walt Disney's characters are now being carried on as a direct operating division. In the first six months of the current fiscal year (ended March 31), income from these sources totaled $961,588 against $847,945 a year earlier, an increase of over 13%.

Some 80 bakeries are now licensed to use "Donald Duck" characters, with one-half using a bread label, procured by the company at low cost in large quantities as a service. A number of food processors have adopted the "Donald Duck" trade name, which under Disney's rigorous contract and frequent plant inspections, is gaining recognition as a symbol of quality. This brand now accounts for 60% of all frozen orange juice sold in San Francisco, as an example of consumer acceptance. Even National Biscuit Co. is licensing "Donald."

"Mickey Mouse" comics are printed in 13 different magazines, in nine languages with 10,000,000 circulation monthly. "Mickey" is widely used for toy and clothing merchandising—a shoe company recently could not keep up with demand for a new "Mickey Mouse" slipper.

"Alice in Wonderland" with its new characters should be an important source of additional income to this end of the business.

Walt Disney Music Company

Walt Disney Music Company enables the company to retain full control of its music copyrights and to help secure the greatest possible benefit from the exploitation of the music in its pictures.

Plant and Property

Principal plant is located at Burbank, about 10 miles from downtown Los Angeles.

Future Releasing Plans

Future releases include "Peter Pan," to be in full production by summer, to be followed in 1952 by "Robin Hood," the second all live-action feature, to be produced in England this coming summer. "Robin Hood" will be a joint venture with Disney's distributor, RKO Radio Pictures, Inc., as was "Treasure Island." Other pictures planned for later production are "Sleeping Beauty," "Hiawatha" and "Don Quixote." The production of "Robin Hood" in England will utilize the company's blocked sterling.

The three pictures in the True Life Adventure series released thus far, "Seal Island," "Beaver Valley" and "Nature's Half Acre," have met with excellent reception at the box offices. Other interesting subjects are in work and will probably be released at the rate of two a year.

Short subject cartoons featuring Mickey Mouse, Donald Duck, Pluto, Goofy and other Disney characters are released at approximately three-week intervals throughout the year.

Capitalization

$700,000 4% debenture series A, due July 1, 1960.

$336,309 loans due serially to Dec. 31, 1957.

652,840 shares common stock, $5 par.

Over 50% of the common stock is owned by Mr. Disney and his family.

Atlas Corporation held 93,050 shares, or 14.2%, of Walt Disney

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This Week's Forum Participants and Their Selections

Walt Disney Productions Common Stock—George A. Butler, Senior Partner, Butler, Moser & Co., New York City. (Page 2)

Nashville, Chattanooga & St. Louis R. R. Common Stock—Howard Morris, Partner, Glidden, Morris & Co., New York City. (Page 22)

Lawyers Title Insurance—Berkeley Williams, Richmond, Va. (Page 22)

Railroad Shares—Or, Trying to Keep Up With the Dow-Joneses

By IRA U. COBLEIGH,

Author of "How to Make a Killing in Wall Street and Keep It"

Some topical comment on the failure of the railroads to make their time-table connection with recent industrial highs, on schedule.

The railroad shares at the moment are paraphrasing a famous popular song of yesteryear, "Wait till the Dows come home"! Whereas the industrial average broke into new high ground Feb. 13 (257.06), May 4 (264.44) and Aug. 24 (266.30), only in the February bull bulge did the rails confirm this projection projection into new altitudes of market optimism with a gracious 90.82 on Feb. 9, then followed by a measly (83.38) on Aug. 9. According to time honored theory, for us to be in a real solid, authentic ranch-mink type bull market, the rails as well as the industrials, must rack up a new high, or at least equal an old one. But let's face it; they don't seem able to negotiate the grade.

Ira U. Cobleigh

Why is it that the rails are not only giving the chart savants a hard time, but breaking the hearts of a lot of rail speculators as well? Could it be a tough winter, with snow shovelling debits lousing up 1st quarter earnings? Could it be the recent Missouri flood which is reported to have cost Frisco alone more than $900,000? Could it be a fading Korean "police action" slowing down a lot of transcontinental haulage? Or could it be a persistent reactivation of those chronic factors such as truck competition for freight, private autos for passengers, featherbedding labor, unimaginative and seniority-laden management, cumbersome deployment of freight car classification, and delivery? In other words, must we seek current causes for the negative response of rails in this optimistic market, or should we now take the position that carrier equities have permanently settled down into a lower order of market magnitude?

First, let's take a look at the current factors, most of which happen to be favorable. Snow and flood have always presented extra curricular cost problems, but their overall impact is relatively minor, and in no event equal to the earnings erosion of a long strike. It's also true that haulage for Korean account has slackened but against that we have our country-wide billion dollar a day rearmament program, the tonnage for which should more than offset Pacific bound Korean cargo.

On the more positive side of the argument are the following current plusses for the railway investors:

(1) Continued dieselization and new (and more efficient) car purchases on a wide scale.

(2) Heavy ore traffic due to rearmament; including vast new tonnage into Baltimore from Africa and South America.

(3) Higher cost of (competitive) trucking labor, insurance and taxation.

(4) Growing preference for railroad transport due to superior cargo insurance protection.

(5) Metropolitan street congestion, slowing truck delivery, thus improving relative desirability of railroad sidings.

(6) Truck trailers on flat cars, replacing in many cases over-the-road truck hauls.

(7) Real estate values built into railroad securities. (The oil possibilities of land held have importantly brightened the future of Canadian Pacific, Northern Pacific, Union Pacific, Atchison and Frisco).

(8) Last but by no means least the 9% ICC rate boost for Eastern, and 6% for Southern and Western lines. This should be of especial benefit to Great Northern and Chicago Northwestern, both for ore, not included in the last increases, and for expected bumper fall traffic in grain. A general rundown of per-share benefits from new rates, projected for a full year is offered as follows:

Road	Est. per Sh. Net Incr. from New Rates
Atchison	$2.60
Chicago Rock Island	3.50
Kansas City Southern	2.25
Northern Pacific	2.00
Southern Pacific	4.35
Union Pacific	3.00

(It should be borne in mind that these are rough estimates, stretched over a full year's application. Another customary round of labor increases will, no doubt, dilute these indicated net gains, to an extent thoroughly repugnant to shareholders!)

So here's the problem. In the face of favorable present conditions and bright tonnage estimates, the rails seem to lack either the will or the capacity to put their blessing on our rosy market, by departmental confirmation via a new high of their own. In 1946, N. Y. Central sold as high as 35¾ and Pennsylvania at 47½, against 17⅜ and 18 respectively at last Friday's close. These are of course but two of the 20 Dow-Jones rails, but whereas industrials have well topped 1946 highs, there is nothing on the present statistical horizon dynamic enough to suggest that the carriers can get over this hump. And the D-J figure for Sept. 15, 1929, namely 183, is pure astronomy! The best that now

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The Political Outlook for 1952

By RALPH B. WILSON*
President, Publishers Financial Bureau

Maintaining it is entirely too early to say who will be the next President, or even who will be candidates, Mr. Wilson sees probability of Truman running again, if he sees fair chance of re-election, and he may win if international situation improves. Says Republicans may be victorious, with Taft as candidate, if international situation worsens.

It is with fear and trepidation that I presume to address myself to The Political Outlook for 1952 assigned to me on the program.

There is one assuring factor. Whether I am right or wrong in my prediction cannot be determined until after the election of Nov. 4, 1952.

Ralph B. Wilson

Surely I can hardly be more "wronger" than the political forecasters, pollsters and columnists were in their prediction of the 1948 Presidential election; or of the popular publication that was put entirely out of business for its forecast of the Presidential election some years ago.

Please bear in mind that there are two results to be accomplished by the next national election in November 1952:

1. The choosing of a President.

2. The selection of a Congress.

And in 1952 as in 1948, there is no certainty that the two will be "off the same tree."

Again, there may be a Democratic President and a Congress controlled by a coalition of Conservatives, the Southern Democrats and Northern and Western Republicans.

It is entirely too early to say who will be the next President, or even who will be the candidates.

The course of international events in the next few months will greatly influence both the choice of a candidate by the party and the voters' preference expressed a year from next November.

Here are some of the probabilities and possibilities, however:

1. It is probable that Truman will run again—if, by next Spring, he sees a fair chance to be reelected.

2. Truman would have a fair chance of being reelected if the international situation has changed for the better by a year from this fall. That can happen.

3. If there is another global war or, if the country is in the same old emergency in the fall of 1952, the chances of Truman—or any other Democrat—will be poor, assuming the Republicans don't nominate a "me too" type of internationalist, such as Dewey. The voters in a time of greater emergency, will not hesitate to "change horses in midstream." They have no such confidence in Truman as they had in Mr. Roosevelt.

4. **Taft** is still the best bet for the Republican nomination. He could be elected, and particularly if Truman is renominated by the Democrats. Public opinion polls confirm this as of the present time.

5. Eisenhower still has a chance for the Republican nomination, and even for the top place on the Democratic ticket. But his chances are not so good now as they were before Truman "fired" General MacArthur, and therefore raised a formidable rival to Eisenhower, **if** the military or international situation seems to want the choice of a military man for "Commander in Chief." Mr. Eisenhower is without valuable political experience, and his stand on great national issues is not generally known.

6. There is even a possibility that MacArthur may be the next President, particularly if the Western and Eastern Republicans deadlock in a contest between Eisenhower and Taft.

7. The Presidential election is likely to be close so far as the popular vote is concerned, although the electoral vote may not reflect this.

8. The chances are quite favorable for the election of a Republican House of Representatives, but it will be difficult for the GOP to capture control of the next Senate.

In any event, the next Congress, like this one, will be especially conservative, and probably controlled by a bi-partisan coalition. That means there is very little chance for the "Fair Deal" costly Social Welfare legislation, in the period from 1951 to 1954, and the so-called Civil Rights legislation desired by certain racial and religious groups is not likely to make much progress.

There is always the possibility of a Russian internal collapse, and that would change the issue in the 1952 election, if a Red revolt occurred.

Then the issue might be: How to avoid or cure a severe business recession in this country.

The first six months of 1952 will see struggles between Conservatives and "Liberals" for control of the Democratic party and between internationalists and those who believe in "America First." (General Eisenhower is an internationalist, as is Dewey and as was Willkie.) Senator Taft is a nationalist.

The Conservatives are not likely to win in the Democratic party. In the Republican party there is some room for a **compromise**, particularly because the so-called "American Firsters" have some chance of defeating the Eastern group GOP politicians.

The **farmers** will still exercise a powerful and conservative influence on Congress particularly because the Middle West, plus California, will hold the balance of power in the 1952 election.

Chief Justice Vinson is a "dark horse" possibility for the Democratic nomination, but some Southern and Western Democrats resent his long association with the New and Fair Deal and his appointment of "liberals" when he was not on the judicial bench.

Senator William Knowland of California, who forced Dean Acheson to reverse his policy of yielding to Russia in the Orient, is a Republican "dark horse" possibility. He probably could have the Vice-Presidential nomination if he wanted it.

Senator Joe McCarthy will be a powerful influence in the next election, particularly if Truman runs again. Millions of **Democratic** voters are heart-and-soul with McCarthy in his fight on Communism in the Government.

Here, in brief, are the main points points in the political outlook for 1952:

1. A continued rise in the conservative trend of the voters of the country.

2. A continuance of the conflict between the President and Congress, with the latter continuing to put the brakes on the former on matters of foreign and domestic policy.

3. Bitter split and factional strife in both the Republican and Democratic parties.

4. A continued effort by organized labor to control, or greatly influence the Democratic party, and to "punish its enemies" in Congress. The CIO labor chiefs will be more active politically than the AFL, with some split in the latter on support of one or the other Presidential canditdate. In other words, some AFL leaders will be likely to support the Republican candidate. Lewis, of the Miners, will be against Truman, if he runs, but Lewis' political influence is practically nil.

5. **Inflation** will continue to be curbed either by natural forces, or through continuance of controls, but if the war scare dies down, controls will be thrown out of the window quite promptly. Even World War III will not immediately result in big-scale inflation, although it may lay the groundwork for such inflation later, just as in the case of World War II.

6. **Taxes** probably will **not** be increased in 1952 beyond the increase to be made this fall, unless global war develops next year, or late in 1951.

Taft, as of now, would defeat Truman. Vinson would defeat Taft. Eisenhower would defeat any other candidate. Dewey, Stassen and Warren are out.

Eisenhower holds the key to the political future. The General is available if the Republicans want him.

In conclusion, the political and international situation is too "fluid" to come to a solid forecast just now. The developments of the next few weeks may make a whale of a lot of difference in everything!

*A talk by Mr. Wilson at the Babson's Summer Business Conferences, New Boston, N. H., August 25, 1951.

Controls Must Be Imposed!

By MICHAEL V. DiSALLE*
Director of Price Stabilization

Price Stabilizer, declaring there is no alternative to direct price controls to curb inflation and balance the national economy, says two years will be required to bring production to point of covering up inflation gap.

I think it is time we put the cards on the table and just talk head to head and heart to heart about some of the problems I'm facing, some of the problems you're facing, and some of the problems the nation is facing.

Michael V. DiSalle

There isn't any time today in the United States to build up hatreds between groups of people. There isn't time today to build up dissatisfaction between citizens and government. There isn't any time today to build up friction between the Administration and Congress, between Labor and Management, between one section of the country and another. . . . The nation is facing a serious problem—possibly the most serious problem that we, as a nation, have faced in the 176 years of our existence.

I know that you don't like controls. Certainly you have nothing on me. I have more reason for disliking controls than anybody in this room. No one is going to be happier than I will be when the day comes that we can get rid of those controls.

What alternative do we have if we don't impose controls? Some people say, "Well, we can rely on indirect controls; we can have higher taxes and siphon this money off; we can restrict credits," or "the government ought to stop its silly spending."

Let's admit for the sake of the record that the government has some needless spending it could eliminate. How much do you think it amounts to? Say that we eliminated all of the government's civilian expenditures. What will the government expenditures for defense be during the next year—$60 billion, $65 billion? It still is going to be higher than it has been in any postwar years.

People say that higher taxes are going to help. But will next year's taxes prevent this year's inflation?

Let's say we're going to restrict credit. Yet we asked industry to expand. A recent survey indicates that three-fourths of American industry is thinking of expanding during the next 12 months. When they expand, do you think they're going to be able to do it out of cash? Or do you think they're going to government or to some other lending institution for credit? Certainly, we're going to have more credit.

In addition to that, this money that business will be spending—that government will be spending—will be going into consumer pockets. And so, consumers are going to have more money to spend during the next 12 months.

If we don't impose direct controls to keep a balance across the economy, we're going to have the worst inflationary situation that any country has ever faced—and inflation has destroyed many more countries than conquest. . . .

I agree with all the people who said that production is the eventual answer. But we're not going to be able to get all the production we need for a period of 18 months to two years. What happens during the time between now and the time we achieve full production?

I know that there is a great deal of complaint about the fact that we're doing more than our share: we're spending more money than any other country; we're contributing more materials; we're contributing more people.

Did you ever stop to ask yourself these questions: Who has more at stake than we have? What other country has as much to lose as we have to lose? What other country has the liberties and freedoms that we have at stake? What other country has the material resources that we have at stake?

*Excerpt from address of Mr. DiSalle at French Lick, Ind., Aug. 24, 1951.

Irving Lundborg Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Manuel Sternberg has been added to the staff of Irving Lundborg & Co., 310 Sansome Street, members of the New York and San Francisco Stock Exchanges.

Three With Paul Rudolph

(Special to The Financial Chronicle)

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With Oakes & Co.

(Special to The Financial Chronicle)

MIAMI BEACH, Fla.—A. Frederick Rodewald is now with Oakes & Co., 605 Lincoln Road. He was formerly with J. A. Rayvis & Co., Inc., and Blair F. Claybaugh & Co.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Slight declines were evident the past week in the production of some goods, but they were largely offset by increases in other lines, resulting in total industrial output for the nation as a whole comparing favorably with that of the preceding week's high level. Output in the latest week was slightly higher than that for the corresponding week a year ago.

Temporary lay-offs in the automotive industry, it is reported, were a major factor in the rise in initial claims for unemployment insurance in the week ended Aug. 4. Claims for that week, it is stated, were some 48% higher than a year ago.

Employment in non-agricultural establishments in July, after adjustment for seasonal influences, according to the Federal Reserve Board, was maintained at about record June levels. The average work-week in manufacturing industries declined somewhat; hourly earnings continued at a peak level of $1.60 per hour. There were about 1.9 million persons unemployed in July, the lowest number for this month since 1945.

While a decline of 1.1 point occurred in steel production last week, it was close to 15% above the level for the like period in 1950.

Contrasted with the modest falling off in steel output for the week, automobile production advanced sharply by about 30% in the same period.

Steel mills this week are busily going over accounts in the formerly "free" steel area and are booking November and December orders from makers of consumer durables (mostly automotive) against the former free steel tonnage, states "The Iron Age," national metalworking weekly, in its current summary of the steel trade. Customers' CMP tickets will later be used to validate these orders. One mill is giving all free forging bars and hot and cold-rolled sheets for the rest of the year to auto accounts.

Auto output for at least the rest of the year, this trade journal adds, is likely to be dictated less by NPA production restraints than by availability of cold-finished bars. The latter is fast becoming the hottest steel item in the postwar period.

The most significant step being taken is conversion. Automakers without conversion in the works are trying to trade other items to get cold-finished bars.

Vendors have another tactic. Some are buying up all steel in sight, regardless of present needs. Hope is that steel on hand can be used to trade for cold-finished steel to avert plant shutdowns in the fourth quarter.

Commenting on auto output for last week, "Ward's Automotive Reports" stated that the past week's increase resulted mainly from increased production by General Motors plants and brought output to the highest level in seven weeks.

Contributing to the gain was a return to normal operations on Wednesday of last week at two Mercury plants, hampered by labor trouble since late in that week, and resumption of assemblies by Hudson, the agency reported. Labor unrest at Briggs, Plymouth's body supplier, cost the division nearly 1,000 units, however, "Ward's" added.

This agency predicted that despite uncertainties in the September and October materials situation, most members of the auto industry will attain their scheduled output for this month, with United States plants exceeding July production by building about 430,000 cars and 124,000 trucks.

The July totals were 382,351 cars and 113,939 trucks.

Copper shortages continue to threaten production of radiators and electrical items for original equipment and replacement needs, and the October steel supply picture still is uncertain, according to "Ward's."

The agency said that even if price increases are granted in the industry, some manufacturers may postpone raising their prices until a further firming of demand is noted, possibly until new model announcement time late this year or in January.

A falling off in consumer demand adversely affected industrial production and July output dropped to the lowest point in 10 months, the Federal Reserve Board reported on Monday of this week. As disclosed in a previous estimate, output in July was the lowest since last September. The Board's index of indus-

Continued on page 23

Spain's Business Set-Up

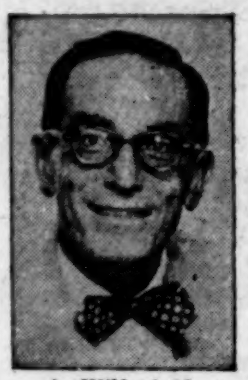
By A. WILFRED MAY

From first-hand observation, Mr. May analyzes the highly mixed economy combining pervasive hybrid government interventions and controls with some private ownership. Government's relationship to business through the far-flung workings of "I N I" described in detail. Because of long-standing basic economic difficulties, sees little prospect for establishment of freedom in home or in foreign exchange markets.

(Based on on-the-spot observations recently made by the author)

What goes on in Spain?

Cutting through the welter of vague references to her internal set-up on which so much of the world-wide public controversy over aid and other association is based, what is the real nature of her governmental intervention in the economy?



A. Wilfred May

Clarification will serve to enhance the logic of our vital policies toward Spain over the long-term, in lieu of merely manipulating the country into associations with us through the backdoor of the Soviet emergency.

The doings in the industrial sphere are particularly important because of the Spanish regime's concentration of interest on industrial rather than on agricultural development—a current item of controversy with the U. S. aid officials. Only one per cent of last year's budget was devoted to help agriculture.

Industry's Actual Setup

Under the orthodox definition of a pure socialist economy which is linked to the state's ownership of the means of production, Spain does not so qualify. Only 10% of industry is nationalized. Instead there is a hybrid crazy-quilt intermingling of the government's farflung interventions and quasi-ownerships with private ownership and management.

The set-up of the industrial economy stems from the policies initiated by that firebrand of controversy—national and international — Juan Antonio Suances, former Minister of Commerce and Industry, whose removal from that office last month keynoted the Cabinet shakeup, and presumably constituted the chief sop to "anti-Fascist" Americans as a *quid pro quo* for aid. With the former "Industry" and "Commerce" divisions of his ministry now split between Messrs. Planel and Arburara, Suances still presides as Chairman of the *INI* (Instituto National de Industrie), which he founded in 1940.

The Farflung INI

Through the farflung and powerful *INI* the government establishes and controls many businesses definitely competing with private industry. It directly operates three or four main branches, as shipping.

In the enterprises which it founds, it owns a majority of the stock, with the minority equity privately held.

Often the government corporation helps businesses, with loans or equity investment, along our RFC lines. And sometimes, even in the case of strong companies, too, the State force sits way in via directorial as well as ownership participation.

Whether government favoritism for the *INI*-controlled enterprises, and whether discrimination against those outside the pale through operation of the many controls, actually exists is the subject of considerable controversy.

First-hand inquiry discloses that at least as far as U. S. Export-Import Bank loan funds are concerned, some measure of favoritism does exist.

In any event, while the exact *degree* of *INI's* interference with the free market may entail differences of opinion, the *fact* of such interference as a controlling element is incontrovertible.

More Mixed Business

Also in the field of "mixed business" there are three main monopolies whose management is privately directed, but the majority of whose revenue flows to the government.

Oil *(Campsa)*.
Tobacco *(Tabaccalera SA)*.
Matches *(Phosphorus SA)*.

The professed motive for these monopolies is the securing of revenue from essential products. Under their set-up the majority of the board of directors is made up by private citizens, and only the minority by government members. But the majority of their net income goes to the government Treasury as state revenue. Consistent with this arrangement, wherein the government's participation conferring a measure of stability and long-term security on the enterprise is counteracted by moderation over dividend disbursement liberality, the market prices of the shares customarily rest at a level to yield about 6%.

There are other industries, as alcohol and salt, where the companies have partial intervention and control over its practices—in addition to heavy taxation—somewhat comparable to the distillery industry in the United States.

Controls

On the Spaniard and on the foreigner trying to do business in the country, the widest variety of controls are imposed, running the gamut through farm and factory production, fixing of wages and working conditions, retail distribution, import and export, and foreign travel.

Practically all goods are price-controlled, but only about 25% are rationed, including principally wheat, eggs, meat and fats. The rationing is almost wholly ineffective, with a pervasive black market on which effective prices average at least double the official prices.

Foreign Exchange Manipulations

Another crucial point of government intervention is in the field of foreign exchange and foreign capital investment. The government administration maintains from 25 to 30 different and continually changing exchange rates on individual products. While some exchange rate manipulation is no doubt necessary during the present foreign currency shortage, its radical curtailment is a vital prerequisite to the eventual restoration of a healthy economy.

There are, of course, many basic difficulties barring the way to a free exchange market. In every postwar year there has been a sizeable trade deficit.* Also her exclusion from OEEC and the European Payments Union have accentuated the country's exchange difficulties.

A Vicious Circle

The situation represents a vicious circle wherein the shortage of foreign currency entails inconvertibility, which in turn prevents the influx of the investors' capital required to produce the needed foreign currency. But beyond this unavoidable situation, the government has gone on to limit foreign participating ownership to 25% of a firm's capital, and to prohibit foreign management.

Understandably then there has lately been practically no new investment of fresh capital, with the major exception of the Caltex oil situation, where it is understood dollars are permitted to be extracted in the form of royalties. Some American companies, as International Business Machines, to save the domestic value of their blacked pesetas, have merely put

Continued on page 31

*cf. This author's article "Spain Highlights Difficulties in U. S. Foreign Aid Policies," the "Chronicle" July 12, 1951.

With Adams, Sloan

SARASOTA, Fla. — Gerald L. Moore is with Adams, Sloan & Co., Inc., 123 North Palm Avenue.

Mutual Funds

By ROBERT R. RICH

Will Mutual Funds Be the American Answer to Socialism's Challenge?

Mutual Funds, which, in a single certificate, can offer ownership in a score of industries and hundreds of companies, may be the American answer to the challenge of socialism.

In the world of ideas and in the world of political and economic reality, the latest assault upon the American enterprise economy has been the concept of democratic socialism, in which the people, through a government of elected representatives, own the nation's means of production.

The overextension of government activity into the domain of the individual's enterprise and the workings of the market economy, our experiments with economic controls, and government ownership and management of sectors of our economy are sufficient evidence of the threats and inroads of an inefficient socialism here.

It is, then, against this background of contest, that one can clearly discern the potential economic and political significance of mutual funds, for mutual funds' shares can give the American people direct ownership of our means of production and direct participation in the profits of American companies, without the intervention of government.

Mutual funds can provide widespread ownership in American industry and can create a vital national interest in the efficient use of our resources. They may restore our country's belief in the competitive economy, where the total well-being of society is regarded as the summation of the wellbeing of its individuals. Confidence may be restored in the idea that the well-being of the individual attains a zenith in the freedom to choose the alternatives offered for his abilities and wants in the market-place.

The popular appeal of socialism abroad, and to a lesser extent here, with its "Fair Shares For All," and, "Own the Factory You Work In," and its puzzle of misconceptions, has put American ingenuity to the test, for it has never been in our tradition to close our border to the free and uninterrupted flow of ideas.

On the contrary, one of the most singular and striking characteristics of the United States has been its unique ability to accept the world's ideas and then to recast them into a new mold, to redirect their intent and to fit them to our own needs by a social and political process which makes them our own as much as if they were stamped, "Made in America."

Evidence of this peculiarly American quality to remold ideas can be seen in the origin of mutual funds themselves, which began here after the loss of public faith in the older investment companies, originally modeled on their British forefathers.

And in the heterodoxy of American political life, one can witness the monuments of imported ideas, borrowed from elsewhere, but fitted into the pattern of American life—the town meetings of New England and the city managerial system of Cincinnati, the bicameral state legislatures almost everywhere and a unicameral legislature in Nebraska, direct state primaries in the Far West and no primary in New York.

All are part of America's tinkering spirit, whittling attitude and bailing-wire philosophy, which makes our economy look like a circus on fire and yet stand athwart the world's productive capacity like the Colossus of Rhodes.

If then, because of our American ingenuity, mutual funds are going to be the answer to the challenge of socialism, one hopes that there will be an earnest expression of the acceptance of this responsibility at the Third Annual Mutual Fund Conference to be held in Chicago, and a collective display of the integrity, unselfishness and ability which so many of the leaders of the industry individually possess.

Although the growth of the mutual funds industry has been remarkable, and the scrupulous regard for the interests of the shareholders creditable, the opportunity which now presents itself to mutual funds will require a higher degree of organization and efficiency within the industry and a closer cooperation than has previously existed.

Court Rules Fund's Capital Gains To Be Life Beneficiary Income

TEXT OF DECISION GIVEN

The "capital gains dividends" of a regulated investment company can be regarded by a trustee as income for the life beneficiary, according to an exclusive dispatch on a Pennsylvania court ruling received by the "Commercial & Financial Chronicle." The Pennsylvania court stated that, although investment companies are required to advise stockholders of the proportion of total dividends derived from long-term gain and from investment income, the "label" of "capital gains" should not govern the allocation of such dividends either to income or principal. Such labeling of dividends, the court said, allocated the dividends, for tax purposes, for the benefit of the corporation and the stockholder.

In the decision rendered in the Orphan's Court of Luzerne County, Pa., Judge James S. Brady, specially presiding, stated, "The gain resulting from the turning over of any portfolio asset by an investment company is income occurring in the ordinary conduct and course of such business.

Judge Brady commented that a previous decision, in the Estate of Byrne, "concisely decides the question," when it states that, "The buying and selling of securities is the operating procedure of investment companies and the profits derived from such activities, when distributed to stockholders in the form of dividends, are income and not principal."

The case arose when the substituted trustee for the Estate of Rebecca J. Lovett filed an exception to the account of the testamentary trustee, deceased. The exception was directed against claim of credits in the account of the trustee for distribution to the life beneficiary, as income, of "capital gains dividends," received as part of the cash dividends of Wellington Fund shares.

The Wellington Fund shares were purchased as an investment of the trust estate by the former trustee, deceased.

Neither the trust beneficiaries nor the substituted trustee questioned the action or conduct of the late fiduciary investing corpus nor did they question the principal of the trust fund in the shares of an investment company. The only action of the trustee that was questioned was the previous distribution of the capital gains dividends of Wellington Fund shares.

"The portfolio assets of an investment company," Judge Brady declared, "are not regarded as permanent assets of fixed capital by the managers of the company; the securities held are treated by the managers as funds to be turned over in the normal management of the business.

"Selling a portfolio asset is but a normal incident in the business.

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The Problems of Maintaining Mutual Security

By MEYER KESTNBAUM*

Chairman, Research and Policy Committee, Committee for Economic Development

Head of important group comprising CED tells Senate Foreign Relations Committee of problems and limitations in Foreign Aid program. Advocates that resources for European rearmament, to maximum extent possible, come from increased production, but stresses need for substantial military and economic aid to continental countries. Concludes mutual defense program should be one which we and our allies can sustain indefinitely.

Meyer Kestnbaum

The contest between the Soviet Union and the West is ultimately a contest of strength, not of arms alone. Strength embraces not only armed might, but in addition all those less measurable elements—such as greater productivity, efficiency, equity in the distribution of income, political and economic stability, and social cohesiveness and spirit—which are the real sinews of national power. The Marshall Plan, which has been the most successful element in our postwar foreign policy, was successful precisely because it recognized and emphasized the economic and social aspects of European security. It is imperative that this emphasis be preserved and sustained in the rearmament period upon which we are entering. The rearmament program must be regarded as supplementing, not replacing, the cooperative effort to build a productive, stable and united Western Europe.

How much of a rearmament program can the continental European members of NATO support out of their own resources without jeopardizing their political, social and economic stability? While no one can answer this question in exact quantitative terms, we believe it is possible to weigh the factors which are pertinent to this judgment. Our analysis leads us to disagree both with those who hold that the continental countries are so weak and unstable that they cannot safely undertake any expansion in their military programs, and with those who would ignore economic and political limitations and would insist that the continental countries rearm up to the limit of their physical potential.

We believe that the continental countries of Western Europe are capable of making a substantial contribution to the combined rearmament effort. While a major rearmament program would have been inconceivable in the conditions of 1947-1948, the tremendous economic advances which Western Europe has made under the Marshall Plan today provide a margin of resources sufficient to support a higher level of military preparedness. Moreover, considerable scope exists for the expansion of European output above present levels. Much of the European investment in productive facilities which was made possible by the Marshall Plan will begin to bear fruit in 1951 and 1952. The growth of Western European agricultural and industrial output continued at a steady rate through 1950, and further growth is possible in the years ahead. There are several million unemployed workers in Italy and Germany, and there is substantial concealed unemployment — i.e., meagerly productive employment —in France and other countries. Further additions to output could be obtained by attracting women into the labor force, by raising productive efficiency through increased specialization and trade within Europe, and by continuing the present ECA technical assistance program under which U. S. technical experts contribute advice and assistance to European producers, and European technical personnel study American productive techniques in this country.

*A statement submitted by Mr. Kestnbaum to the Senate Committee on Foreign Relations on behalf of the Research and Policy Committee of the Committee for Economic Development, Washington, D. C., Aug. 21, 1951.

Limitations to Scope of Rearmament

At the same time, there are important limitations on the scope of the continental rearmament effort which it would be perilous to ignore. First, it must be kept in mind that the rapid economic recovery of these countries since early 1948 was from a level far below prewar. Per capita consumption in Italy and Germany is still substantially below prewar, and in France, large sections of the population have a standard of living very materially lower than in the 1930s. In addition, the coal production of the four major continental countries is still below prewar and their food production has not risen as fast as their population.

But the most serious limitations on the ability of these continental countries to rearm rapidly become apparent only upon examination of the problems of managing the diversion of economic resources from civilian to military uses. A government can accomplish this diversion in any of three ways, or by some combination of them: (1) It may employ fiscal or monetary measures, such as drastic increases in taxation, reductions in non-defense spending, and strict control of credit, while relying on military orders and the operation of selective credit controls to divert economic resources to military production; (2) it may suppress the price inflation accompanying the enlarged military production demands by the use of direct controls, such as price and wage control and consumer rationing, while employing priorities and allocations to move resources into military production; or (3) it may simply employ or permit open inflation, using bank credit or the printing press to the extent necessary to outbid civilian demand for labor, production facilities and materials.

In the major continental countries, however, there are unusually formidable obstacles to the successful use of the first two methods, while the method of unrestrained inflation would have economic and political effects fatal to effective rearmament and to the value and reliability of these countries as partners in the North Atlantic Treaty system.

Defective European Governments

The governments of these countries tend to be rather unstable coalitions embracing divergent political and economic opinions. Such governments have great difficulties in raising taxes, in reducing less essential government expenditures, and in mobilizing public opinion. Their budgets are already heavily loaded with social security charges, pensions and other politically sensitive transfer payments, and with large public investment programs necessitated in part by the relative timidity of private capital. Though their public revenue systems are antiquated and inequitable, they are already drawing off a large percentage of the national income. Personal savings are at low levels. The history of their currencies over the last generation and the uncertain prospects for their future have severely impaired public credit.

Moreover, the sensitivity to price inflation in these economies is great. The history of periodic inflation over the last generation has produced an abnormal sensitivity by all economic groups to price increases. With any inflation scare, liquid holdings are invested in goods or black market gold or dollars, thus forcing up prices and black market exchange rates and aggravating capital flight. In these circumstances continental finance ministers and central bank officials have a deep-seated fear of inflation and of central bank financing which helps to account for their caution in expanding their military budgets.

This is not to say that the governments of these countries are not aware of the Soviet peril to their independence, nor is it to say that they underestimate the urgency of the need for rearmament. It does mean, however, that the continental governments must operate within a range of policy alternatives which is narrowed considerably by the economic vulnerability and political fragility of their societies. What may appear to be an inadequate rearmament effort when judged in terms of the tolerances of the U. S. and British economies may very well be substantial in the context of the economic and social capacities of the continental countries. It must be recognized that the instability of the political situation and the strains in their societies and economies have imposed limits on the extent of the rearmament effort which their governments can undertake. This is an unwelcome conclusion, but it is a conclusion which we can ignore only at our peril.

Before the Korean War the continental members of NATO are reported to have had about 1,000,000 men under arms, but were spending for military purposes only about $2.75 billion annually, or about 5% of their combined gross national product. On optimistic assumptions, these countries might be able over the next few years to double their manpower under arms, and perhaps to approach a doubling of their combined gross product devoted to armament. If the political difficulties can be resolved, Germany might be able to make a contribution of proportionately similar size in relation to her gross product.

Increased Production Required

The productive resources which Europe devotes to an expanded military program will have to come either from increased production over present levels, or from cuts in European consumption, non-military government expenditures, investment or exports. It has already been pointed out that there is considerable scope for the expansion of European output. To the extent that this potential is realized, the European NATO countries will be able to make their contribution to the joint rearmament program without subjecting their economies to severe strain. But it would be too optimistic to count on an expansion of output sufficient in a short time to make possible a rearmament program of the magnitude required. Thus, while it will not be possible to avoid some reductions in the non-military uses of output, it must be urged as a matter of the highest importance that these cuts be made where they will do a minimum of damage to the economic strength and political stability of Western Europe.

It is relatively easy in the short run to mobilize resources for rearmament by taking labor, materials and end-products away from the export industries. To some extent this will be unavoidable, since some productive facilities

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Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Aircraft Industry—Analysis—Dean Witter & Co., 14 Wall St., New York 5, N. Y.

Airlines—Analysis of outlook with particular reference to **American Airlines, Capital Airlines, National Air Lines, Eastern Airlines** and **United Air Lines**—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available is a study of the outlook of **Motion Picture Stocks.**

Bond Yields and Money Rates 1911-1951—Study—C. F. Childs and Company, Inc., 141 West Jackson Boulevard, Chicago 4, Ill.

Food Issues — Analysis, with special reference to **General Foods Corp., National Dairy Products Corp.** and **United Fruit Company**—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Glass—Reprint of article on new uses of glass from the American Magazine—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **A. E. Staley Manufacturing Co.**

Graphic Stocks—January issue contains large, clear reproductions of 1,001 charts complete with dividend records for the full year of 1950, showing monthly highs, lows, earnings, capitalizations, volume on virtually every active stock on the New York Stock and Curb Exchanges—single copy $10.00; yearly (6 revised issues) $50.00—special offer of three editions of Graphic Stocks, 1924 through 1935; 1936 through 1947 and up-to-date current edition, all for $25.00—F. W. Stephens, 15 William Street, New York 5, N. Y.

"Information Please!"—Brochure explaining about put-and-call options—Thomas, Haab & Botts, 50 Broadway, New York 4, New York.

Low Priced Stocks—Outlook—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Oil Companies—Financial survey of 30 companies first six months 1950 and 1951—Petroleum Department, The Chase National Bank of the City of New York, Pine Street, corner of Nassau, New York 15, N. Y.

Oil Companies Earnings—Analysis—A. G. Becker & Co., Inc., 120 South La Salle Street, Chicago 3, Ill.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 12½-year period. Of the 35 companies represented in the National Quotation Bureau's Over-the-Counter Industrial Stock Index, 12 trace their ancestry to years before the Civil War and another nine had their beginnings in 1900 or earlier. Twenty-three of the companies have been paying dividends continuously from seven to seventy-nine years. Of the other twelve, one started paying dividends 119 years ago, and its stockholders have received annual dividends regularly with the exception of the years 1833, 1840 and 1858—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Private Placement Financing—Analytical brochure—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Puts & Calls—Booklet—Filer, Schmidt & Co., 30 Pine Street, New York 5, N. Y.

Retail Trade—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a memorandum on **American & Foreign Power.**

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Aluminum Company of Canada—Analysis—James Richardson & Sons, 367 Main Street, Winnipeg, Man., Canada and Royal Bank Building, Toronto, Ont., Canada.

American Boxboard Co.—Memorandum—Rodman & Linn, 209 South La Salle Street, Chicago 4, Ill. Also available are memoranda on **Portland General Electric Co.** and **Zonolite Co.**

Audio Devices, Inc.—Analysis—Peter Morgan & Co., 31 Nassau Street, New York 5, N. Y.

Barvue Mines Limited—Bulletin—Milner, Ross & Co., 330 Bay Street, Toronto 1, Ont., Canada. In the same bulletion is data on **United Keno Hill Mines Limited** and a selected list of high-yield class "A" stocks.

Campbell-Taggart Associated Bakeries, Inc.—Analysis—Sanders & Newsom, Republic Bank Building, Dallas 1, Tex.

Central Public Utility 5½s of 1952—Progress report—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Continued on page 13

NSTA Notes

AD LIBBING

With over $15,900 gross to date for our Convention Supplement of the "Chronicle," your National Advertising Committee is hopeful we will pass last year's total.

We have had a few members do their usual for us.

Lex Jolley of Johnson, Lane, Space & Co., Inc., Atlanta and Cy Murphy of John C. Legg & Company, New York City have secured renewals from advertisers outside of the stock and bond field. We do appreciate their efforts.

Dick Adams of Donald C. Sloan & Co., Portland, Ore. has sought the cooperation of members of the Security Traders Association of Portland in obtaining advertising through a most descriptive letter. It was a well done job and should help in getting business. Incidentally, Dick also sent along his own firm's order for an ad in our NSTA issue of the "Chronicle."

We also wish to acknowledge helpful notes from Perry Brown, Ed Jones and our National President, Jack Egan.

Congrats to affiliates, San Francisco, Seattle, New Orleans, Los Angeles and Detroit. They have passed their quotas.

HAROLD B. SMITH, Chairman
NSTA Advertising Committee
Pershing & Co.
120 Broadway, New York 5, N. Y.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Bowling will start Thursday, Sept. 6, 5:30 to 8 p.m. at the City Hall Bowling Center, the Security Traders Association of New York announces. Members and associate members of STANY interested in bowling should contact any of the following captains: Jules Bean, Singer, Bean & Mackie, Inc.; Arthur Burian, Daniel F. Rice & Co.; Joseph Donadio, J. F. Reilly & Co., Inc.; Richard Goodman, Shields & Company; Thomas Greenberg, C. E. Unterberg & Co.; "Duke" Hunter, Hunter & Co.; Wilbur Krisam, Geyer & Co., Incorporated; William Kumm, Dunne & Co.; George Leone, Leone & Pollack; Walter Mewing, D'Assern & Co.; "Hoy" Meyer, Gruntal & Co.; or Lewis H. Serlen, Josephthal & Co.

There will be a meeting of all captains at the office of Sidney Jacobs. Sidney Jacobs Co., Chairman of the Bowling Committee on Sept. 5 at 4:45 p.m.

Members of the Security Traders Association of New York planning to attend the outing Sept. 7 at the New York Athletic Club should make their reservations for tickets with Daniel G. Mullin, Tucker, Anthony & Co. Tariff for the ticket is $8.50.

With Henry, Franc

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Henry L. Lewis has been added to the staff of Henry, Franc & Co., 308 North Eighth Street, members of the New York and Midwest Stock Exchanges. He was previously with Waddell & Reed, Inc.

Joins Julien Collins

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert B. Jarchow has become associated with Julien Collins & Company, 105 South La Salle Street, members of the Midwest Stock Exchange. Mr. Jarchow was previously with Goodbody & Co.

COMING EVENTS
In Investment Field

Sept. 6, 1951 (New York City)
Security Traders Association of New York Fall Bowling Season opens 5:30 to 8 p.m. at City Hall Bowling Center.

Sept. 7, 1951 (New York City)
Security Traders Association of New York outing at the New York Athletic Club

Sept. 20, 1951 (Omaha, Neb.)
Nebraska - Iowa Investment Bankers Annual Frolic at Omaha Country Club. Cocktail party September 19 at Blackstone Hotel, Omaha.

Sept. 24-26, 1951 (Cincinnati, Ohio)
Association of Stock Exchange Firms Fall Meeting at the Terrace-Plaza Hotel.

Sept. 25, 1951 (New York City)
New York Curb Exchange golf tournament and dinner at the Sunningdale Country Club, Scarsdale, N. Y.

Sept. 30-Oct. 4, 1951 (Coronado Beach, Calif.)
National Security Traders Association Convention opens at Coronado Hotel.

Oct. 12, 1951 (Dallas, Tex.)
Dallas Bond Club annual Columbus Day outing.

Nov. 16, 1951 (New York City)
New York Security Dealers Association 26th annual dinner at the Waldorf-Astoria Hotel.

Nov. 25-30, 1951 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

G. W. McGhie, Jr. Is With F. S. Yantis

George McGhie, Jr.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—George W. McGhie, Jr. has become associated with F. S. Yantis & Co. Incorporated, 135 South La Salle Street, members of the Midwest Stock Exchange. Mr. McGhie was formerly associated with Thos. E. King & Co. and Comstock & Co. In the past he conducted his own investment business in Chicago.

With Walston, Hoffman

PHILADELPHIA, Pa.—Walston, Hoffman & Goodwin, members of the New York and Philadelphia-Baltimore Stock Exchanges, announce the association with them of Clarence W. Ostema as a registered representative in their Philadelphia office, 1420 Walnut St.

Joins Fabian Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Chester A. Williams, Jr. has joined the staff of Fabian & Company, 9500 Santa Monica Boulevard.

Fall Outlook for Industry And Trade Promising

Survey reveals industrial production and business volume have been lagging. Many types of uncertainties seen disturbing business. Lull may be only temporary. Some stimulating forces reported increasing. Crop production close to record high.

(From September issue of "Business Bulletin," issued by LaSalle Extension University, a Correspondence Institution, Chicago, Ill.)

Moderate reduction in the rate of industrial production and the volume of trade has been the predominant characteristic of the changing business stiuation during the summer months. The decline from the very high peak which was reached during the first half of the year has been small, but it has been significant. It has affected many industries, although most of the disturbances have been local rather than widespread. This falling off has taken place in spite of increased expenditures for military supplies and equipment. For that reason, it deserves careful consideration by businessmen who must understand the current situation and try to ascertain the future trends which will affect their own businesses. Evidently the factors which tend to lower business activity are more nearly equal in force to the strong, stimulating ones than has been generally supposed. For short periods of time, at least, the large military program does not in itself guarantee steadily rising business activity. The effect of this spending may be offset by variations in other kinds of buying, especially that by consumers. The amounts involved in the fluctuations throughout these other fields may be even greater than the increases in spending for military purposes.

Indications of the Lull

Declining prices throughout the summer and until recently have been among the most significant of the indicators which show the falling off in demand as compared with the supplies of goods that are available. Wholesale prices have declined almost 4% since February, although they are still 7% higher than they were a year ago. Prices of many commodities have declined even more. The index of 28 commodities which are most sensitive to changes in supply and demand has fallen almost 20% and remains not only at the low of the year but also at about the same level as last year at this time. The prices of those commodites that are bought and sold for future delivery dropped more than 20%. The trend among these prices has been upward, however, since the middle of July. In the past the future markets have often forecast later changes in the general price level, and the current movement points to the possibility that the general rise in prices will be resumed during the next few months.

Factory output fell almost 4% in July. That decline was an unusually large drop for one month. It was due partly to special seasonal influences, such as a larger number of complete shutdowns for vacations in the non-durable goods industries and the restrictions on output in the automobile industry as well as in a number of those making durable goods for consumers. Operations in some industries were reduced because of large inventories. Retail sales to consumers also declined, although the falling off was not more than the usual seasonal drop.

Lull May Be Ending

Changes which have taken place most recently indicate that the period of lagging business activity may be almost over and that more than seasonal improvement will take place throughout the fall. Prices of many commodities have ceased to decline, and some have risen moderately. The changes have not been extensive enough nor have they continued long enough to provide convincing evidence of a reversal of trend, but they do point in that direction. Retail sales during the latter part of last month increased more than they usually do at this time of the year. New orders placed by buyers in wholesale markets and among manufacturers were somewhat larger, although they did not make up all the decline which had previously taken place.

Many important aspects of the business situation remained close to the peak during the lull. The gross national product, or the total value of goods and services produced, continued to rise. Personal incomes received by individuals have reached a new peak and are being maintained at a rate of more than $250,000,000,000 annually. They have risen 15% during the last year. The increase in dollars received has amounted to $32,000,000,000. This sum represents an increase in purchasing power which is likely to be reflected in increased demand for goods. The rise in incomes has been greater than the rise in retail prices or the cost of living during the last year. In the long run, consumers will buy at about the same rate as their incomes, although there may be many variations over short periods of time.

Civilian employment has risen to a new peak at over 62,500,000 persons. Unemployment has dropped to the lowest number in many years. Business expenditures for plant and equipment have risen substantially and are now 35% higher than they were last year. Although construction of residential buildings has slackened, the falling off in home building has been more than offset by the increases in other types of construction. New records have been set in this field also, and the rise in contracts awarded points toward further rises during the next few months.

The reversal in trend among those prices which had fallen most and in those industries in which output had dropped has been too recent and not extensive enough to provide conclusive evidence of future expansion throughout the remainder of this year. It does indicate, however, that in the tug of war between the opposing tendencies which are always operating the greater force is again shifting to those which bring about higher prices and increased industrial output. There are more than the usual number of uncertainties in most fields of industry and trade. Some industries have large stocks of goods, while others are handicapped by shortages of essential raw materials and thus cannot continue to operate even at normal levels. The international situation contains many uncertainties which directly or indirectly affect most lines of business. Some signs point to at least a temporary easing of tension, although the general attitude is one of doubt and skepticism. In the domestic field there are many uncertainties due to changing governmental policies, restrictions on materials, regulations dealing with production schedules, controls of many kinds, and the likelihood of higher taxes as well as higher labor and raw materials costs.

Level of Business Well Sustained

Uncertainties are increasing rather than becoming less. Yet the level of business has been well sustained at an unusually high level. Indexes of total industrial production which take into account both the declining industries and those in which output is increasing show that the total factory output is now about 9% higher than it was a year ago. The volume of business, which is measured in dollars, is also ahead of last year, and the amount of the increase is more than 8%. Both these indicators are within 5% of their peaks. Even a minor reversal of trend would push them to new high levels.

Retail trade is about 6% below the unusually high level of a year ago but is higher than in every preceding period, except during the abnormal buying spurts of last year. The present level of retail sales, however, represents an amount of consumer spending that is very low in comparison with current incomes received by consumers. People are evidently saving more than they usually do, either because they are not certain as to their future incomes, or because they are already well supplied with goods which were purchased in such large amounts during the last year. If the usual relation between incomes and spending is restored, the additional demand would push retail sales to a new peak this year in dollar volume and probably also in the physical quantities of goods sold. Retail prices are 12% higher than a year ago. They have increased a little less than the increase in total incomes of individuals.

Another comparison that is significant in indicating the current level of business and also the prospects for the future is that between the change in the average earnings of workers and the rise in the cost of living. Weekly earnings of factory workers have risen 11% during the last year and are now $65.44. That amount is $6.59 higher than it was a year ago. Hourly earnings have risen 10% and are now $1.60, an increase of 15 cents. These figures do not reflect the recent wage increases which have been granted in a number of large industries. Additional increases are expected during the next few months, in spite of governmental efforts to hold down the advances. The 11% rise in weekly earnings of factory employees is larger than the 9% rise in the cost of living or the prices which consumers pay for necessities.

The effects of higher wage rates on business trends are varied, and some of them do not become evident until after a considerable period of time. The higher rates will increase the dollar incomes of the groups which receive them, unless the added labor costs handicap the business to the extent of reducing the numbers of persons employed. They may put the business into a weaker position in comparison with competitors. Higher rates must be paid for by others, either by the owners from the profits of the business or by the customers who must pay higher prices. Allowance must be made, of course, for the fact that a portion of the increase may be paid out of the results of increased productivity. In the long run most, if not all, of the permanent gains which have been achieved have come from increases in the amount which each worker has produced. At all times major attention should be given to productivity as an important aspect of the current level of business activity, in relation to wage rates and wage policies.

Increased incomes paid to any group of workers from any source other than increased productivity represent redistribution rather than total gains for all. What one receives, some other persons pay, and the result is usually higher prices, as it has been in recent years. In most cases, a business can meet higher costs only by receiving correspondingly higher prices for the goods or services which it has to sell. The changes in many fields of trade and industry during the last few years have demonstrated what is certain to happen when costs increase more rapidly than gains in productivity. These considerations will need to be kept in mind in establishing wise wage policies under present disturbed conditions. They are also important when the businessman is trying to ascertain what the trends are likely to be during the coming months.

Supporting Forces Becoming Stronger

Spending for military purposes continues to be, just as it has been for many months, one of the important supports for business activity. Because it is added to the demand for goods and services from other sources, it must be given considerable weight in determining what business conditions will be. During the last few weeks higher figures for defense spending have been announced. These announcements tend to increase business activity, even though the additional spending will not take place until some time in the future. Businessmen are influenced by them now in planning their expenditures for new plants and equipment to handle the orders they will receive later from this spending.

More important now are the expenditures which are being made at the present time for military supplies and equipment. During the last year spending for these purposes amounted to about $20,000,000,000. The present rate of spending is about $3,000,000,000 monthly, and during the first part of next year it is scheduled to rise to $4,000,000,000 each month. The prospects are that this spending will constitute a strong supporting force which will stimulate business activity indefinitely. The additional amounts involved during the remainder of this year will be about $1,000,000,000 a month. To evaluate the effect of this change on total business volume, one should compare it with some other aspects of the current situation. For example, total retail trade now amounts to almost $12,000,000,000 monthly. A change of 10% in the rate of consumer spending would have as much effect as the change in the spending for defense. If both types of spending increase at the same time the effect would be to boost demand and make more intense the inflationary pressures. If the two should move in opposite directions, as they have been doing for the last two months, one would offset the other to a considerable

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Special Characteristics of Government Bond Market

By LEROY M. PISER*

Vice-President, Aubrey G. Lanston & Co., Inc.

U. S. securities expert lists as special characteristics of government bond market: (1) they provide the residual outlet for investment funds; (2) they are used as medium through which Federal Reserve carries out its open market operations; and (3) they are involved in Treasury debt management policy. Looks for long-term restricted bonds to fluctuate within recent ranges and bank eligibles, other than short terms, to move lower. Expects short-term interest rates to be on high side of recent range.

The market for United States Government securities has three special characteristics that distinguish it from other markets. First, government securities provide the residual outlet for investment funds when there is a scarcity of private loans and securities and the residual source of funds when there is a plethora of private loans and securities. In the latter case, however, there is a minimum below which financial institutions are not likely to reduce their holdings of government securities. Second, government securities are the medium through which the Federal Reserve System carries out its open market policy. Third, government securities are affected by Treasury policy with respect to debt management, which is a matter of public policy rather than involving only the considerations that motivate private borrowers.

Leroy M. Piser

In order to illustrate the use of government securities as a residual outlet for funds, we may take the period from 1942 through 1946, when private loans and securities were practically unavailable. During this period the total assets of life-insurance companies increased by $15 billion. Their holdings of government securities also increased by $15 billion, with private assets unchanged. During this same period the government securities held by mutual savings banks increased by $8 billion. In order to illustrate the use of government securities as a residual source of funds, we may take the period since the end of 1946. During this period the assets of life-insurance companies have increased by $17 billion, but even so they have sold $10 billion of government securities. Their holdings are now down to below 20% of their assets, which may be close to the minimum that they want to hold, although this varies by individual companies. During the same period mutual savings banks have sold $1½ billion of government securities.

In order to sell these securities, life-insurance companies and mutual savings banks have had to find buyers. Holdings by commercial banks also have declined during this period. One buyer in a sense has been the Treasury, since the total debt has declined. Other buyers have been individuals and personal trust funds, fire and casualty insurance companies, corporations, State and local governments, United States Government agencies and trust funds, foreign accounts, and pension funds. Life-insurance companies and mutual savings banks generally have been sellers of long-term marketable bonds. Although the above list of buyers has included some purchasers of long-term marketable bonds, most of the demand has been for short-term marketable securities or of non-marketable securities. This situation has resulted in pressure on the long-term market during most of the period since the end of 1946.

Governmnet Securities in Open Market Operations

This brings us to the use of government securities as the medium through which the Federal Reserve carries out its open market policy. One of the facets of open market policy has been to assure the success of Treasury financing. During World War II a pattern of rates was established in order to finance the war. After the war the long-term market was pegged at a minimum of about par. As a result the Federal Reserve was a heavy buyer of long-term bonds during 1948, the second half of 1950, and early in 1951. This policy came into conflict with the second facet of open market policy, that of restraining the expansion of credit during inflationary periods. During such periods the Federal Reserve should seek to limit the availability of bank reserves, even if rising interest rates result as a by-product of this policy. This conflict between objectives broke into the open in August, 1950 and was resolved in March 1951 in favor of a flexible market, seeking to avoid both disorderly fluctuations and precise pegs.

The method and the timing of the resolution of this conflict between Treasury and Federal Reserve philosophy have produced several problems. First, investors were not prepared for the abandonment of pegged markets, and the actual pulling of the pegs was such a shock to them that their immediate response was to try to increase their liquidity. Second, the market had to reach and to pass a low point in price before investors regained some measure of confidence. Third, it is necessary for the Federal Reserve to assure the success of Treasury financing, and both refunding and cash needs are large. In this connection, although a Treasury cash deficit results in an increased flow of funds to someone, these funds do not automatically flow back into government securities. Fourth, the method of resolution will result in an increase in the liquidity of banks and other institutions, because Treasury financing to date has had to be in short-term securities, 9½-month and 11-month certificates for refunding and 3-month bills for cash. This situation probably will change, but it is not yet clear how long a period will be necessary to build up a substantial demand for long-term Treasury bonds, in the face of present short-term rates and of the larger risk in the long-term market.

Treasury Debt Management and Government Bonds

This brings us to Treasury debt management. The Treasury must continue to try to sell its securities to nonbank investors who will hold the securities, particularly to individuals. This involves selling savings bonds to individuals, savings notes and short-term marketable securities to corporations, and long-term marketable securities to life insurance companies and mutual savings banks. As mentioned earlier, however, it it not as yet clear how long it will be before the Treasury will be able to sell long-term bonds.

In attempting to judge the United States Government security market at the present time, we must consider the market's three special characteristics. First, as to the residual source of funds or outlet for funds, this depends upon the course of business and its general character. With the decline in residential building, mortgages should decline. At some point life insurance companies will be buyers instead of sellers of government securities. When this occurs we still do not know the extent to which life insurance companies will purchase long-term bonds as opposed to short-term securities. On the other hand, commercial banks will need reserves in order to finance the seasonal increase in business this autumn and at least a part of the Treasury cash deficit. This should deprive the bank-eligible market of any sizable volume of buying. The approaching eligibility of currently restricted bonds will also decrease buying interest in the longer-term bank-eligible bonds. Second, Federal Reserve policy may be to keep as much steady pressure on bank reserves as is consonant with assuring the success of Treasury financing. Just how these conflicting goals will be reconciled is a difficult problem. Third, Treasury debt management policy will have to lean toward short-term securities over the near period, when for seasonal reasons its cash needs will be large.

We may now draw some tentative conclusions on the basis of such facts as we have today and future trends as we can project them today. First, long-term restricted bonds seem likely to fluctuate within the recent range. Second, the prices of bank-eligible bonds, other than short-term issues, in such event would gradually move lower. Third, short-term interest rates may generally be on the high side of the recent range of fluctuations.

*Synopsis of talk by Mr. Piser at the School of Banking of the South, Baton Rouge, La., Aug. 23, 1951.

American Investors Succeeds Mansfield Mills Company

Announcement was made Saturday that the name of Mansfield Mills Company, an investment timing and selection service, has been changed to American Investors Company coincident with changes in the partnership. George A. Chestnutt, Jr., formerly Research Director of the company, is now Executive Director; Paul A. Benitz is Director of Research; Loucas P. Hriston is Chief Statistician, and Gorton P. Morgan is Senior Research Analyst.

American Investors Company will continue to publish the weekly reports of Comparative Buying and Selling, and also the Relative Strength Measurements of Individual Stocks and Industry Groups.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

Effective Aug. 22, Bramley & Smith retired as a New York Stock Exchange member firm.

Stephen D. Fuller will retire from partnership in John H. Lewis & Co., Aug. 31.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Despite a lack of volume and not too much activity the government market continues to have a good tone. Experience is helping to convince many that market psychology has not been adversely affected by the pushing up and down of quotations. Some money market followers believe this is important since it may be heralding the return of a better trading market in the not distant future. If the market can regain a fair amount of it former equilibrium, and not a few believe this will be the case, there should be an expansion of volume and activity. This should not be unwelcome in government bond circles.

The longer end of the list continues to be in the spotlight because there appears to be a growing desire to acquire income. Swops are being made out of the low-income issues into the higher-yielding securities in addition to new money commitments. The restricted bonds are getting the lion's share of the play, with the Vics and the 1952 eligibles vying for honors. The bank eligibles appear to be following a similar trend with funds showing more of a tendency to move toward the larger-income obligations.

Better Trading Market Underway

The government market, while still on the thin side, is showing signs of becoming a better trading market and, according to some, there should be greater activity with larger volume in the not too distant future. Dealers and traders are in some instances willing to take larger positions and when quotations advance to levels that are termed "high spots" they are inclined to cut down on these holdings and even sell short. Although it has not been easy to rebuild inventories or cover shorts because a good part of the price decline has been due to quoting down, some of the issues that were sold have been bought back at low enough prices to show a fair trading profit. This is a favorable development because it tends to moderate price changes in both directions.

Investors, at the same time, are also doing more moving about in the various obligations and this definitely gives the market a better tone. These switches involve some profit taking, while on the other hand, there has been in some cases a movement from the lower return issues into the higher-yielding obligations, in order to improve income. In the restricted issues, especially, there seems to be considerable movement, with positions being changed about particularly in the near-eligible obligations. It seems as though there is a growing consciousness that the tap bonds which become bank eligible in 1952 could become rather interesting obligations for those that are in a position to acquire them.

Long 2½s in Strong Hands

The eligibles have been bulled up and quoted down without many bonds changing hands. It is evident that switches are being made from the longest taxable issue into certain of the 1952 eligible restricted obligations, but in these trades no large amounts have been involved. It appears as though the 2½s of September 1967/72 are in strong hands and this means that it is not easy to get holders of this issue to part with them and take on bonds that will become bank obligations next year. Also there are switches being made by certain deposit banks from the lower-income obligations into the longest bank 2½s for income purposes. All of this put together does not have an adverse effect upon the September 1967/72s.

The short market continues to be showing a buoyant tone and volume in this end of the list has been more susbtantial than in the other sectors. Bills and certificates have the greater appeal, but there is no lack of demand for the 2% group and the 1954 and 1955 maturities. Commercial banks, especially the larger ones, along with certain of the more sizable corporations, are the dominant factors in this market. Nevertheless, there are reports that some corporations are now switching part of their shorts into the higher income issues as well as putting fresh funds in moderate amounts into them. It seems as though the 1952 eligible taps are getting the call as far as the higher yielding issues are concerned.

Restricted Bonds in Favor

Savings banks, according to advices, have been moderately heavier sellers of the restricted bonds, but the purchases by pension funds and trust departments of commercial banks have been sufficient to take care of these without having any unfavorable effect marketwise. State funds have been checking the tap market, and small commitments have been made, but there were other instances where these funds have turned down offerings because, according to reports, prices were not in line with their ideas.

Not a few followers of the money market appear to be attracted to the 2½s of 1962/67, the first tap issue to become bank eligible in 1952. They have been suggesting switches from the 2½s of 1963/68 and the 2½s of June 1964/69 into the earliest eligible restricted bond.

The 2¾s due 1960/65, according to advices, were pulled out of a couple of accounts last week, in fairly sizable amounts, but immediately went back into hiding in midwestern deposit banks.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Alph H. Kirchen and Fred C. Winkelmann are now with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

With Bosworth, Sullivan

(Special to THE FINANCIAL CHRONICLE)

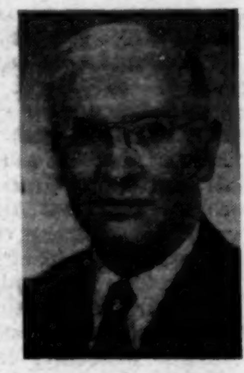
DENVER, Colo.—John P. Haggerty has been added to the staff of Bosworth, Sullivan & Co., Inc., 660 Seventeenth Street.

Basic Principles of Gold Standard And Their Implications

By FREDERICK G. SHULL*
Connecticut State Chairman, The Gold Standard League

Denying Gold Standard is complicated, Mr. Shull describes its working in principle and practice. Cites operations of redeemable paper currency as outlined by authorities over last two centuries and lists damaging effects of abandonment of Gold Standard in 1934. Concludes nation is in need of return to gold redeemable currency.

It is perhaps hardly necessary to note that since the founding of the Republican Party in 1854, that party has consistently favored the Gold Standard; it was instrumental in returning this nation to "redeemability" in 1879; it was successful in fighting off Mr. Bryan's "free silver" fallacies in 1896; and just why our modern Republicans have been so complacent in going along with the "printing press" paper money that we have been using since 1933, is hard to understand.



Frederick G. Shull

Many people appear to regard the Gold Standard as a very complicated subject—something that is contrary to the facts of the case. It involves just two important basic principles or factors—easily understood by the average citizen. Here are those two basic principles:

(1) In order to operate on the gold standard, a nation must firmly fix the "value" of its monetary unit, such as our "dollar," in terms of a definite "weight" of gold—which factor is known as "fixity of value."

(2) Having so fixed the value of its currency, that nation must be willing to exchange gold for that currency, on demand, at the face-value of the currency—which factor is "redeemability."

Now it is this factor of "redeemability" that seems to be the one that confuses the majority of people—even the government officials themselves who are responsible for our paper money. For if you will examine the legend of our one-dollar "silver certificate," you will find that the Government still believes in specie-backed paper money, as there is "on deposit in the Treasury," for each one-dollar bill, "One Dollar in Silver Payable to the Bearer on Demand." But if you will examine a five-dollar or larger-denomination "Federal Reserve Note," you will find that it is merely "redeemable in lawful money"; and since gold is not "lawful money" today, we enjoy the doubtful privilege of swapping one five-dollar bill for another.

Clarification of "Redeemability"

It may clarify this question of "redeemability," and its importance to a nation's currency, if we approach it in this manner: For centuries various things and commodities have been used as "money" for exchanging commodities and services in general. Cattle, sheep, bronze, iron and grains—as well as gold and silver—have been used for this purpose. Let's assume the "value" of the dollar to be established as one bushel of wheat, instead of at its presently-claimed value of one-thirty-fifth of an ounce of gold. Under those conditions, we would find it more necessary than ever to have a paper money to substitute for that wheat itself; for it would not be practicable for people to go about with one or more bushels of wheat on their persons. The Government, therefore, would presumably issue a paper money valued in terms of wheat—in denominations of one, five, ten, twenty, etc., bushels of wheat; and "redeemable," as comparable to our silver certificates today, in "bushels-of-wheat."

Now since the per capita consumption of wheat in the United States is only about three bushels—and that in the form of bread and allied products, instead of the wheat itself—there is little likelihood that there would be much demand for redemption of this assumed paper money in the wheat itself. For so long as the people had confidence in the integrity of their government, they would be satisfied to stick to the use of the paper money instead of the wheat; but that does not alter the fact that if the paper money is to be regarded as "sound," it must be "redeemable" in the wheat itself, on demand. This theory in all respects applies equally to a currency valued at $35 an ounce of gold. People in general have little use for gold as such—its use being largely confined to such things as dentistry and the arts; and so long as people have confidence in the honesty of their government, there would be little demand for gold in place of their gold-backed paper money. The experience of the U. S. for more than a century prior to 1933 gives strong support to this statement.

All who are familiar with the game of poker know that before the game can start, the chips—which are the "currency" of the game—are given a "fixed value," and that they are "redeemable" at that agreed value. These are in effect the same principles that obtain for the gold standard, namely, fixity-of-value and redeemability.

It may be that we have become so accustomed to the excellent "appearance" and "feel" of the nice crisp paper bank-notes issued by the Treasury Department and the Federal Reserve System that we have come to regard that paper money, itself, as constituting sound money; but if mere paper money is that good, then the monetary experts of the leading countries of the world have been entirely wrong in their theories for a matter of centuries—as the following facts will bear out:

It was almost 200 years ago—back in the year 1776, to be exact—that Adam Smith's great book, "Wealth of Nations," was first published. That is the only book on Economics included in Dr. Eliot's five-foot-shelf known as the "Harvard Classics." That book by Adam Smith is regarded as the basis of the modern science of Economics as taught in all the schools and colleges, and it may therefore properly be considered as authentic. Considerable space in that book is devoted to the subject of "money"; and Adam Smith gives evidence of being a firm believer in the gold standard.

He cites the case of the Bank of England—long prior to 1776—as having at times issued a greater quantity of paper bank-notes than were needed for the normal conduct of business; that, as a result, the surplus of those notes was continually returning to the bank for redemption in gold; that this tended to deplete the bank's supply of gold, and occasioned their frequently going into the open market and buying gold bullion. He states that at times they paid as high as 4-pounds sterling per troy ounce for that bullion, coined it into English coins carrying a face-value of only 3-pounds 17-shillings 10½-pence—which was the gold-standard value of the pound sterling for many generations—and they thus took a loss of from 2 to 3% on the money itself, which they did for just one reason: that when the Bank of England had issued a paper-money claimed to carry a definite "value" in terms of gold, that bank had high enough respect for its honesty, and for the integrity of its bank-notes, to see to it that they at all times be kept "as good as gold."

The French Assignats

A century after Adam Smith, we had in this country a man who became a recognized authority on this subject of sound-money. I refer to Andrew D. White, who graduated from Yale in 1853; who became co-Founder and first President of Cornell University; and who gained an enviable reputation, both nationally and internationally, as an outstanding educator, diplomat and statesman—testimony to which statement is strengthened by the fact that an oil painting of Dr. White graces the wall at the Yale Commons.

Among his many activities, Mr. White made a detailed study of the unfortunate experience of France with "irredeemable" paper-money at the period of the French Revolution. He points out in his book how France, being in financial difficulty, started out in the year 1789 with an initial issue of 400 million irredeemable paper francs — which was intended to get her out of that difficulty. But, within a short time, that money became exhausted and they came out with a second issue—and a third — and they continued that process; and by the year 1797—or within the comparatively short period of eight years—France had issued and put into circulation an aggregate of 45,000 million of these printing press paper francs. By that time, according to Mr. White's book, that money had so depreciated in value that it was practically worthless — and the people threw it out with other wastepaper and trash, as of no value whatever.

Based upon the foregoing experience of France, Dr. White became very apprehensive—at the period of our so-called "greenback" era of the 1870's, at which time we were using an irredeemable paper-money—that we might follow too far in the unfortunate footsteps of France. He, therefore, developed those Franch Revolution experiences into the form of an address which he delivered before the New York State Senate, of which body he had formerly been a member; before a large group of Congressmen of both political parties, in Washington; and before a group of businessmen and bankers, at the Union League Club of New York. And that address became the basis of his well-known book, "Fiat Money Inflation in France," which was first published in 1876; and which was later amplified and republished in its present form, in 1896. It may truly be said, therefore, that Andrew D. White exerted a strong influence in forming public opinion which restored this nation to sound-money with "redemability" in 1879, and which resulted in maintaining the Gold Standard against the futile attempt of Mr. Bryan to upset it in the campaign of 1896 with his famous "free silver" undertaking of that time.

Gold Standard in U. S.

There is nothing new, of course, about the Gold Standard in this country, for we were on that basis for more than a century prior to 1933—or for the greater part of our history as a nation. Back in 1837 Congress slightly reduced the gold-content of our dollar, and gave it a "value" of 25.8 grains of gold 0.9 fine—which is the degree of purity of U. S. gold coins. That meant that the dollar contained 23.22 grains of pure gold; and that was the basis of the well-known value of the dollar which existed for generations — that value of $20.67 a fine ounce of gold. That rather odd value arises from the fact that there are 480 grains in a troy ounce; 480 divided by 23.22 gives 20.67 as the result — and hence the $20.67 an ounce of gold.

Now that value of the dollar was never changed one particle from 1837 until 1933, or for 96 years—which is strictly in keeping with the gold-standard principle of "fixity-of-value," earlier called to your attention; and there were only two short eras throughout that entire period when one could not exchange his paper-money for gold, namely, during the Civil War and "greenback" era—and for a few years at the time of World War I. With those exceptions our money was always "redeemable" in gold — which conforms with that gold-standard principle of sound-money.

But when the New Dealers came along in 1933 they evidently had some peculiar ideas as to what constitutes an honest currency. They committed a dishonest act which had been labeled as such by none other than Adam Smith, nearly 200 years before their time. He puts it this way in his "Wealth of Nations"; "The raising of the denomination of the coin has been the most usual expedient by which a real public bankruptcy has been disguised under the appearance of a pretended payment." Messrs. Roosevelt and Morgenthau were instrumental in "raising of the denomination" of our coin: They took a twenty dollar gold-piece, which had carried that weight of gold for nearly a century, and made it a $35 gold-piece (not quite exact). For in raising the "official price" of gold from $20.67 to $35 an ounce, they thereby automatically "devaluated" the dollar from its former value of approximately 1/20th of an ounce of gold to its presently claimed value of 1/35th of an ounce of gold; and, following are the results of that piece of "dishonesty":

At the time this occurred in 1934, the Treasury owned some 200,000,000 troy ounces of gold—or roughly, about 7,000 tons avoirdupois. At $20.67 an ounce, that gold represented about $4 billion. But at $35 an ounce it came to represent $7 billion—and those money-jugglers apparently thought they had actually created three-billion dollars of new value. They had, of course, created no new value whatever; for all it meant was that instead of the Treasury's owning $4 billion in gold with each dollar carrying a "value" of 1/20 of an ounce, they had come to own $7 billion in gold with each dollar carrying a value of only 1/35 of an ounce of gold. They could have raised the official-price of gold to a much higher figure with the same result; for every time you raise

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*An address by Mr. Shull before a group of leading Republicans held at Hotel Bond, Hartford, Conn., Aug. 28, 1951.

Alice in Investment Land

By GEORGE F. SHASKAN, JR.
Partner, Shaskan & Company
Members of the New York Stock Exchange

Mr. Shaskan portrays difficulties and perplexities of Alice when she tries to seek advice and guidance in selecting securities which will best weather a stock market break.

Alice looked up at the big chart of stock prices before her. "My," she thought with much surprise, "how tall that line has become. It is higher than it has been at any time during the past 21 years. Or, perhaps I have shrunk again."

Geo. F. Shaskan, Jr.

"In any event," she went on (remembering the many sharp rises and falls she had recently been through herself), "I'd better not take any chances. I'd best find out which securities will do better than others should that line start to come down again. I think they call it having a port in the storm." Alice was very pleased with herself at this last expression which sounded very grown up to her.

"Let's see," Alice went on half aloud, "perhaps they will know in that house over there." Just at that moment the door of the house opened and out stepped a Footman in livery with a round face and large eyes like a frog.

"Excuse me," said Alice running up to him, "can . . ."

"You haven't done anything, so there's nothing to excuse," said the Footman with great dignity.

"I wanted to ask," Alice said timidly, "could you tell me where I might find a port in the storm."

"The first question," said the Footman, "is whether there's to be a storm at all."

"I don't mean a real storm," Alice said, thinking of the chart she had just seen showing the high level which security prices had reached.

"I never heard of an unreal storm," the Footman replied.

"Oh, there's no use in talking to him," said Alice desperately, so she opened the door and walked into the house.

"What do you want?" shouted the Duchess.

"I don't know what securities will do better than others should the market break," Alice ventured.

"You don't know much," said the Duchess, "and that's a fact."

"But security prices are very high, and . . ."

"All prices are high," the Duchess yelled, and with that she threw some more pepper into the soup.

"Yes," Alice agreed, "but security prices are higher than at any time since 1929; in fact, the Dow-Jones Industrial Average is at 265."

"Don't bother me," said the Duchess. "I told you before I never could abide figures. Go ask the Cat."

Alice looked all around for a cat but all she could see was a grin. "That's funny," thought Alice, "I've often seen a cat without a grin but a grin without a cat! It's the most curious thing I ever saw in all my life."

Nevertheless Alice addressed herself to the Grin. "Would you tell me, please, which securities I ought to hold?"

"That depends a good deal on what you are holding the securities for," said the Grin-without-the-Cat.

"I want to hold them for a storm," Alice replied.

"In that case," said the Grin-without-the-Cat, "you shouldn't hold securities at all; you should hold an umbrella." And with that it vanished.

Alice by this time was about to weep, when the Grin suddenly appeared again. "By-the-bye, they're having an election of all the securities at half-past the hour." And with that it vanished once more.

Alice thought she had nothing to lose by waiting so she sat down. Not long afterwards the White Rabbit appeared, followed by the King and Queen of Hearts.

The Rabbit began distributing a long column of figures showing the results of the election.

Alice looked at her copy (which you, dear reader, can see at the end of this story).

"How curious," she thought. "They're only about to hold the election and they've already got all the results."

"Count the ballots," roared the King.

"Not yet, not yet!" the Rabbit hastily interrupted. "First we must have the campaign speeches and then the voting."

"Then call the first speech-maker," said the King.

In came the Hatter. "I throw my hat in the ring for the Chemicals," said the Hatter.

Alice quickly looked down at her score card. "No," she said to herself, "the Chemicals won't win because they didn't do any better than the market as a whole during the last three major breaks."

"I just love Dairy Products," purred the Cheshire Cat.

"They did quite well in the 1941 break," Alice said as she looked at her score card again, "but I'm afraid that they cannot be elected because of their poor showing in the other declines."

"Vote for Oils," called the Gryphone.

"Who are you for?" Alice asked the Dormouse, who was sitting next to her.

"Treacle," said a sleepy voice. "I mean, since the Hatter must always be having tea parties, I'm for lots of Sugars in my tea."

"Collar him, turn him out, off with his whiskers," the Queen shrieked out.

"I'm very fond of Tobacco," the Caterpillar slowly said.

"Consumer Goods," said Tweedledum.

"Capital Goods," cried Tweedledee.

Alice was hardly able to follow her score card, the nominations were coming so fast.

"High-Priced Commons," shouted the White Knight.

"Hurrah for Banks," . . . Win with Steels," . . . "Keep warm with Coal," . . .

"Silence," commanded the King. "Since none of you can agree I shall name the winner."

"You can't do that," objected Alice.

"And why not?" said the King.

"Because then you wouldn't be sticking to facts and figures," Alice replied.

"Not at all," said the King. "It's simply a question of who's to be master."

"Why, that's just uncommon nonsense," Alice said loudly. "I don't see the sense of having an election if your're not going to stick to the figures. And besides," Alice continued, "the figures show that no group of securities has consistently done better than others in a market break."

"You're quite right, child," said the Duchess, as she came up and tucked her arm affectionately into Alice's. "But then you must remember, everything's got a moral."

"I can't see anything moral about that," Alice thought to herself.

"And the moral of this," said the Duchess, "is . . ."

But Alice had already started to walk away.

Percentage Declines of Various Security Groups During Three Major Recent Market Breaks

COMMON STOCKS

	1937-1938	1941-1942	1946-1947
Standard & Poors—416 stocks	44	24	25
Brewers	34	19	11
Chemicals	41	28	19
Coal	61	20	22
Confectionery	14	44	17
Glass containers	47	10	24
Fertilizers	50	+16	33
Finance	55	37	26
Bakery and milling	33	23	18
Dairy products	44	0	29
Gold mining—U. S.	+9	48	31
Gold mining—Canada	8	37	43
Oil	36	25	17
Variety chains	39	29	25
Soaps	29	24	16
Steel	60	33	27
Sugar	45	7	31
Motion pictures	56	2	44
Tobacco	29	41	24
Telephone and telegraph	33	31	23
Banks	47	35	25
Casualty insurance	39	16	20
Utilities	42	38	23
High-grade common	31	28	20
Low-priced common	69	26	66
Consumer goods	43	28	29
Capital goods	45	26	24

Mead Stock Offering Oversubscribed

A secondary distribution of 57,750 shares of common stock (no par value) of The Mead Corp. was made after the close of the New York Stock Exchange on Aug. 28 by Carl M. Loeb, Rhoades & Co. at $26.87½ per share with a dealer's discount of 60 cents per share.

The offering was oversubscribed and the books closed, it was announced yesterday.

With Chas. E. Bailey

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — James F. Simmons has become associated with Charles E. Bailey and Company, Penobscot Building, members of the Detroit Stock Exchange. He was previously with C. G. McDonald & Co.

Joins Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Richard E. Owen is now affiliated with Crowell, Weedon & Co., 27 South Euclid Avenue.

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Fall Outlook for Industry And Trade Promising

extent, and the net effect might be to reduce total demand.

Another strong supporting force is the spending by business for new plants and equipment. These expenditures have been rising steadily and are now being made at a rate of over $2,000,000,000 monthly. The additions to plant capacity are significant in several ways. They require large amounts of materials at the present time and thus intensify the demand for steel as well as many other materials which are also essential for the production of military equipment. When the plants are completed, however, the demand for construction materials will be reduced, but the supplies of finished products put on the market will be greatly increased. This change will take place to an ever-increasing extent within a few months, as more of the new plants are put into production. Larger output of finished products will be available to meet the demand, and, to some extent, will help reduce the inflationary pressures. There will, of course, still be the large gap between the supplies of goods for civilians and the amounts of consumer incomes. A substantial part of total consumer incomes will be paid to workers who are producing military goods. This unbalanced condition is inevitable, but it can be made less disturbing by taking up some of the excess incomes through taxation or through savings by consumers.

If demand should slacken enough to reduce business activity, it can be increased through the easing of credit restrictions for consumers and through the expansion of bank credit. Some restrictions have already been made less rigorous, but the easing has so far had but little effect on retail sales. Sales volume has declined most in those fields where credit is used most extensively, that is, in the durable goods field. Indications point toward increases in the sales of these products during the remainder of the year and considerable reduction in the large inventories. There may be even some shortages, although productive capacity for turning out these goods is large enough to supply the requirements of the defense program and also the normal demand from consumers.

Financial Factors Indicate Confidence

Rising prices of securities are generally considered as constituting a favorable indicator as to future trends in business and in profits. Stock prices rose further last month after having fluctuated without any definite trend throughout most of the summer. Prices of the securities of industrial corporations reached the highest point in over 21 years. The advance during the last year has been over 30%. The prices of securities of industrial companies rose somewhat more rapidly than those of railroad companies. The total value of all stocks listed on the New York Stock Exchange rose more than $7,000,000,000 in one month. This rise is more significant than usual, as it has taken place while corporation profits have been declining from the very high levels of the first quarter of the year.

Security prices are kept high in comparison with previous years by a combination of several factors. Most fundamental is the very high yield on stocks at present prices. Earnings and dividends are so high that the average yield is close to 7%, as compared with less than 4% at previous high points in the markets. Yields of stocks are also high as compared with those of corporate bonds. Usually in the past prices of stocks have risen until the yield on stocks is less than the yield on bonds. At the present time it is more than double.

Normal relationships between dividends and prices or between yields on stocks and bonds may not, however, be restored by advances in security prices. They might be brought about by sharp reductions in dividends because of declining profits. Profits, after taxes, have already fallen somewhat, although profits before taxes were at a record high during the first quarter of the year. Rising costs of labor and materials at the same time prices are kept down by controls have lowered profits for many corporations. The probability of higher corporate taxes also will reduce the amounts available for dividends to stockholders. Many corporations pay larger amounts in taxes than in dividends.

Prices of securities are also being pushed higher by the fears of inflation. Many investors are trying to protect themselves against the losses in purchasing power which result when the price level rises as it has been doing for several years. Both stocks and real estate are bought as hedges against inflation, although in the past neither of them has been fully satisfactory as protection from higher commodity prices. If they are well selected, however, they are better than bonds which not only have a fixed return and price but also have a much smaller yield than stocks have at present prices.

The pressure of large amounts of idle money is another factor which pushes stock prices higher. Many other outlets for investment funds are shrinking at the same time that amounts available for investing are increasing. Insurance companies and other financial institutions as well as investment managers of large sums of money are investing larger percentages of their funds in stocks than they have done at any time in the past. This type of buying is very selective, and the results of it can be seen in the changes in the prices of different securities. Much of this money is being invested in companies which are growing steadily rather than in the older and more stable ones which have reached closer to the peak of their growth. Special attention is being given to the securities in such fields as oil, chemicals, drugs, glass, and rubber.

New Orders Lagging

Volume of new orders is an indicator which reflects the attitude of businessmen toward future conditions in their industries and also indicates the production schedules which will probably be maintained in the future. These orders have been rising a little in recent weeks, but previous to that time they had been coming more slowly than they were during the early part of the year. The peak was reached in February. Even the reduced amounts now, however, are larger than current sales.

Unfilled orders continue to rise and are the highest ever known. Many of them are government orders for military supplies and equipment, although there was a sharp drop in these orders in July. Unfilled orders are now and have been equal to current sales for considerably over two months. They are large enough to provide

another assurance of a high level of industrial production and business activity during the next few months.

A particularly favorable aspect of the current situation is the exceptionally large volume of new orders and unfilled orders for machine tools. They are far in excess of the capacity of the industry to meet the large needs of both the defense program and the plant expansion plans of business. The index of machine tool orders, as reported by the National Machine Tool Builders Association, is almost six times higher than it was during the years 1945 through 1947. It has risen 400% during the last year. Shipments have also increased and are currently about double those of a year ago. Unfilled orders are large enough to keep them at this high level for many months.

Similar conditions prevail in the railroad equipment industry, where the number of unfilled orders for locomotives and feight cars remains large enough to keep that industry operating at high levels for many months, even if no new orders were received. This industry is also busy with large orders for military equipment.

Trends in Leading Industries

Expenditures for total construction have risen steadily, although at a somewhat slower pace. Last month they were $2,800,000,000. This amount was 8% higher than a year ago and at the highest level ever reached. The shift which has been taking place this year among the different classes of construction is also significant. Heavy engineering projects have increased greatly, especially those financed by the Federal government. Public housing has risen 10%, but private residential building has fallen off sharply. The number of new dwelling units started has been below last year for many months, and the trend is still downward. The total so far this year has been 20% below the number during the corresponding period last year.

The steel industry continues to operate at above its rated capacity and is turning out more than 2,000,000 tons of steel weekly. That level has been maintained without serious interruption since the first of the year. The increase over the corresponding period last year has been about 10%. Demand is even stronger, however, and shortages of steel are handicapping a number of industries, including those making military equipment. This situation is likely to prevail for several months, even though the capacity of the steel mills is being increased and new ones are being put in operation regularly.

Production of electricity has been steadily rising, and output is very close to the peak. The current use of electricity for power and lighting is 13% higher than it was a year ago. This indicator is especially significant, as it is a measure in terms of physical units rather than of prices. It is also the most inclusive indicator, as it includes the power used by all kinds of industries. Hence, it indicates the rate of activity among smaller plants as well as that among the major industries which report output in their own lines only.

Output continues to fall in the automobile industry, and is now about 30% below the rate at which cars and trucks were being turned out last year at this time. Production has declined because of the restrictions placed on the use of steel and other metals. A falling off in demand has also been a factor in slowing down operations. The industry is making extensive shifts to the production of military equipment. Demand for these products helps maintain a high level of activity and employment in this industry.

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Dealer-Broker Recommendations

City of Jackson, Miss.—Bulletin on municipal separate school district non-callable school bonds—Scharff & Jones, Inc., 219 Carondelet Street, New Orleans 12, La.

Delta Ail Lines, Inc.—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Fairchild Camera & Instryment Corporation—Special review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Graham Paige—Circular—James J. Leff & Co., Inc., 50 Broad Street, New York 4, N. Y.

Gulf, Mobile and Ohio Railroad—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Illinois Central Railroad—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Missouri Pacific Railroad—Discussion of reorganization—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available are memoranda on **American & Foreign Power** and **Ashland Oil & Refining Co.**

Norris-Thermador Corporation—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif. Also available is a survey of 180 companies on the effect of taxes on first half earnings.

North American Aviation—Bulletin—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Placer Development Limited—Analysis—John R. Lewis, Inc., 1006 Second Avenue, Seattle 4, Wash.

Puget Sound Power & Light Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Riverside Cement Company — Card memorandum — Lerner & Co., 10 Post Office Square, Boston 9, Mass. Also available is a memorandum on Gear Grinding Machine Co. and on Seneca Falls Machine Co.

Seneca Oil Company—Analysis—Genesee Valley Securities Co., Powers Building, Rochester 14, N. Y.

Talon, Inc.—Data in current issue of "Highlights"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. In the same issue are data on **Jacob Ruppert** and **Crowell-Collier.**

United Air Lines, Inc.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Westinghouse Electric Corp.**

U. S. Thermo Control—Data—Raymond & Co., 148 State St., Boston 9, Mass. Also available is information on **Thermo King Ry.**

Walt Disney Productions—Analysis—Butler, Moser & Co., 44 Wall Street, New York 5, N. Y.

Dangers of Wage Adjustments Based On Cost of Living Index

By WESLEY C. BALLAINE
Director, Bureau of Business Research, University of Oregon

West Coast economist, limiting his discussion to use of cost of living index as a mechanical instrument for measuring price changes, sees as chief objections: (1) misinterpretation of just what the index measures; and (2) political and partisan pressures to alter composition of the index.

The principle of the so-called "escalator" clauses in union-management contracts, whereby increases in wage rates automatically follow increases in the Consumers' Price Index, has recently been adopted in a modified version by the Wage Stabilization Board. Under this policy, it will permit until March 1, 1952, upward wage adjustments of percentages not exceeding percentage changes in the index, the base period for both wages and index being January, 1950.

Wesley C. Ballaine

Obviously, if national wage patterns are to be determined in Washington, D. C., some simple criterion must be used for making day-to-day decisions. The Consumers' Price Index has served well from an administrative standpoint in the past. It seems reasonable to presume that this index will continue to be used during the period a governmental agency is charged with the responsibility of approving or disapproving changes in wage rates.

Aside from fundamental social objections to the practice of the government being a party to wage (and price) decisions, the use of the Consumers' Price Index involves certain dangers. These are: (1) the misinterpretation of just what it is that the index measures, and (2) the possibility that, because so much money is becoming involved in changes in the index, at some time in the future there may be sufficient pressures exerted to alter the composition of the index.

The news story available to the writer which told of the Aug. 17 announcement by Economic Stabilizer Eric Johnston to permit wages to "catch-up" to higher prices, used the expression "cost-of-living advances." The assumption is made quite generally that the Consumers' Price Index measures the cost of living, or at least the cost of living of hourly paid workers. The phrase "cost-of-living" is seldom, if ever, defined by union or Administration spokesmen, but the impression is fostered that it includes only those expenditures required for physical and conventional necessities.

The phrase "cost-of-living" is highly ambiguous. The popular interpretation is that it excludes luxuries and non-essentials. Any discussion of what is essential for a minimum conventional standard of living is too technical for this article. However, the Consumers' Price Index purports only to measure average changes in retail prices of selected goods, rents and services purchased by wage earners in large cities. Prior to 1945 it was known as the "Cost of Living Index," but the title was altered to "Consumers' Price Index for Moderate-Income Families in Large Cities," so that there is now no possible connotation of covering only essentials.

Until January, 1950, the weights used were based on 1934-1936 average family expenditures, but since that time weights have been adjusted to current spending patterns. Thus the index measures changes in prices of what the moderate-income family buys without regard to whether or not it is in any sense "essential" or "necessary."

Since January, 1950, many items have been added that represent present buying patterns of moderate-income consumers (radio, television, automobile repairs, etc.), but are not what are commonly considered to be "cost-of-living" items.

The Consumers' Price Index is regarded by statisticians as a satisfactory device to measure changes in prices of those things bought by low- and moderate-income families. It is compiled by the Bureau of Labor Statistics, an agency justifiably possessing a high reputation for competence and integrity. In the last few years there have been many technical improvements in the index and more are in the offing. Although there are weaknesses that cannot be overcome within the budgetary limits of the Bureau of Labor Statistics, the Consumers' Price Index turns in a tolerable performance, but one which is probably less accurate that the practice of quoting readings to one decimal place indicates.

An index of this kind is dependent upon a host of arbitrary decisions made by the statisticians in charge. Measuring changes in prices of articles and services moderate-income families purchase is not a procedure subject to the same degree of exactitude that may characterize the counting of people, the measuring of distance, the ascertainment of bank debit totals, etc. The two areas in which the judgment of the statisticians computing price indexes is of crucial importance are (a) the selection of those particular goods and services to include in the index for the purpose of representing all goods and services which the index purports to cover, and (b) the weights to be associated with the various goods and services included in the sample. These statisticians have a great deal of data to aid them in making their decisions, but even the methods of collection of these data, let alone their interpretation, involve choices among many alternatives. The character of the index depends upon the wisdom of these choices.

When changes in the wages of millions of Americans depend upon the readings of the Consumers' Price Index, there is considerable danger that the decisions of the statisticians may not be wholly without bias. It is certain that the techniques they choose will be subject to controversy. Bias need not be a result of bringing pressure on individuals now making these choices; it can more easily be brought about by placing people in charge who have certain preconceived viewpoints. Adverse criticism (unwarranted, but impossible to answer adequately) may make statistical work elsewhere more attractive to the persons now engaged in the preparation of the index.

In this regard, it should be borne in mind that the Bureau of Labor Statistics is not an independent statistical agency. It is an integral part of an executive department, the head of which is a special pleader for a particular economic group.

Canadian Securities

By WILLIAM J. McKAY

In view of Canada's rapid industrial expansion since the end of World War II, it is not surprising that, despite the heavy increase in Canadian exports to the United States and an almost corresponding decrease in proportion of its imports from across the border, that the greatly enlarged demand for U. S. capital for Canadian industries has kept the dollar gap going. Thus, the outlook for larger and still larger amounts of American long-term investment in Canada seems assured.

As an indication of Canada's industrial expansion it is reported from Ottawa that Canada welcomed nearly 80,000 newcomers to her shores in the first six months of this year in a sudden rise in the tide of immigration. The Citizenship Department of the Dominion reported that the number up to June 30 last was 79,785, more than double the total of 37,286 immigrants in the corresponding period of last year, and nearly 6,000 more than the 73,912 who came to this country in the whole of 1950. The number of persons who left Canada in the same period was not available, but the total in 1950 was 25,133. Most of them went to the United States.

Undoubtedly, this inflow of immigrants into Canada is induced by the rapid expansion of the Dominion's industries and the resulting economic prosperity. These developments have already been traced in previous issues of this column. Thus, Canada, which a few years ago was almost unknown as an oil producer, now has moved into tenth place among the nations producing petroleum. In the first half of 1951, Canada, in fact, registered the largest percentage advance in output, which amounted to 59.1%. Daily average output in Canada for the latest six months was placed at 108,000 barrels, as compared with 67,900 for the like 1950 period, and more than double the 52,900 barrels average in the first half of 1949. The sharpest increases this year were recorded in May and June, following the opening up of navigation on the Great Lakes, which enabled full use to be made of the new Edmonton-Superior pipe line as huge new lake tankers carried away the oil stores at the head of the Lakes.

Canada's mineral production is also heading for a new all-time dollar value record this year. If production is maintained at the rate established for the first five months of the year, and metal and mineral prices hold, as is altogether likely from present indications, a figure of $1,100,000,000 or more is predicted. This would compare with the 1950 record of $1,040,000,000.

These developments are responsible in large part for the revolution during the last few years in Canada's foreign trade. As reported recently by the Bank of Nova Scotia, the direction of Canadian exports has been altered in a manner that can only be described as revolutionary. For, since 1947, the long-established pattern under which nearly two-thirds of Canada's exports went overseas and the remaining third to the United States has been reversed. Today, almost two-thirds are going to the United States, and Great Britain, which not many years ago ranked evenly with the United States as Canada's largest customer, is now taking a scant 15%. From 1947 to 1950, Canadian exports to the United States almost doubled in value and increased by over 60% in physical quantity, whereas exports to overseas countries shrank by well over one-third in value and by roughly one-half in quantity.

Through the major readjustment in Canada's trading position has been on the export side, there have been some changes in the direction of imports in the last few years. The proportion of imports coming from the United States was extremely high in the early postwar period, amounting to 77% in 1947. By 1950, however, the proportion had declined to two-thirds, and was approaching the prewar level. The recovery in imports from overseas countries came in two stages. The first stage in 1948 reflected the recovery of production abroad, the special efforts to increase dollar earnings, particularly by Great Britain, and the emergency restrictions imposed by Canada against goods from hard currency countries as a result of the exchange crisis of the preceding year. The second stage followed devaluation, which led to a significant increase in imports from the United Kingdom.

But despite this increase in imports from overseas countries, Canada's purchases from the United States have remained very high. Even in 1950 the share of the United States in the Canadian market was slightly higher than in 1937-39 and this year it has increased once more. The value of imports from across the border in the first six months of 1951 was almost 50% higher than in the corresponding period of 1950, and though imports from other sources also increased substantially the rise is not so large. Canada's propensity to import from the United States is normally very great for reasons of proximity, close economic relations, the importance of branch plants of U. S. concerns, and the use of U. S manufacturing methods and standards. In times like the present, the demand by U. S. imports is unusually great because of the current huge program of capital expansion with its large requirements for U. S. equipment. Moreover, the consumer buying wave in Canada, which lasted well into the spring was centered on such things as automobiles and household appliances which are produced largely in the United States.

Jay Iglauer Opens

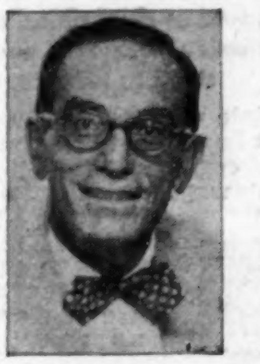
(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Jay Iglauer is engaging in a securities business from offices in the Union Commerce Building.

New Investment Course Scheduled

A. Wilfred May to analyze European inflation experience in New School series. Benjamin Graham and J. K. Lasser also participating.

A practical course, "Your Investment Problems Today," by A. Wilfred May, Economist and Executive Editor, "Commercial and Financial Chronicle," is scheduled for the fall term of the New School for Social Research beginning Sept. 25 at 5:20 p.m.



A. Wilfred May

Benjamin Graham

J. K. Lasser

The series which meets every Tuesday for 15 weeks, is designed both for laymen and professionals and is concerned with basic investment policies for dealing with the impact of armament and inflation. Mr. May will present conclusions drawn from his recent two months' study in Europe where he made an on-the-spot analysis of the investor's experience under inflation in leading European countries.

Benjamin Graham, author and President of Graham-Newman Corporation, an investment company, and J. K. Lasser, Chairman, Institute on Federal Taxation of New York University, will take part as guest lecturers.

Continued from page 11

Basic Principles of Gold Standard And Their Implications

the "price" of gold in terms of dollars, you correspondingly reduce the "value" of the dollar itself.

While the 41% devaluation of the dollar in 1934 appeared to show a clear profit of $3 billion to the U. S. Treasury, here is how it affected the welfare of 140 million people adversely:

(1) In 1934 the National Debt stood at $27 billion—all in dollars carrying a "value" of 1/20 of an ounce of gold—dollars that had been earned and saved by the people and loaned to their government, and that rightly should be repaid in dollars of the same quality. But, on the basis of $35 an ounce, the people have been deprived of 41% of the "value" of the dollars loaned to the government. On the National Debt alone, therefore, the people have been robbed of about $11 billion.

(2) Again, in 1934, the total bank deposits of all kinds in this country amounted to about $51 billion. Those were dollars earned and saved as "dollars" carrying a value of 1/20 of an ounce of gold, and deposited in the banks as such. But the same number of dollars to be repaid by the banks now carry 41% less "value" per dollar. This has robbed the people of another $20 billion.

(3) Finally, the total life insurance in force in this country in 1934 approximated $98 billion. Those benefits had been paid for only in part, because there are new policyholders as well as old. But, mathematically, it is fair to say that about one-half of those future benefits—or say, $50 billion—had already been paid for with dollars earned and saved as "dollars" valued at 1/20 of an ounce of gold. Here, again, the 41% shrink in the "value" of the dollar foisted upon us in 1934 has further robbed the people of $20 billion.

It now becomes apparent that while the aforementioned 41% "devaluation" of the dollar may have given the impression that the Treasury reaped a $3 billion profit—it actually penalized the people to the tune of more than $50 billion. And if that were to happen again today—with the National Debt standing at $260 billion; bank deposits at some $150 billion; and life insurance-in-force on the order of $230 billion—it would rob the people of well over two-hundred-billion dollars. And for those who may think that further devaluation of the dollar is an impossibility, let it be known that less than two years ago the monetary experts of several foreign nations swarmed into Washington and exerted every effort to get the official price of gold raised to some figure between $50 and $70 an ounce. Very much to his credit, Secretary Snyder refused to go along with that unthinkable proposal—and probably for the same sane reasons here presented. If, perchance, the official price of gold should be raised to $60 an ounce, that would mean almost exactly a 41% "devaluation" of our present dollar—bringing in its wake the disastrous consequences just described. This is something that should never again be allowed to happen to the "American dollar," and it can be positively avoided only by a return of the United States to a full gold-standard.

The need for a return to sound-money is further supported by the effect it would have on the sale of Defense Bonds. We are being urged every day—by an abundance of free advertising being accorded the Federal Government on the radio, unless I am wrong in using the word "free"—to buy these bonds. We are being told that for each $3 paid in we are to get back $4, 10-years hence; but nothing whatever is being told us as to the "quality" of dollar to be repaid. The dollar paid-in today is claimed to carry a "value" of 1/35th of an ounce of gold. We are therefore entitled to the assurance that the dollar we get back shall be of the same quality. That assurance can be given us only by a return to the Gold Standard.

Do We Need a Gold Standard?

There are skeptics who seem to think that we lack the necessary gold to return to the gold standard. Let's see whether that argument holds water: We have about $23 billion in gold, and there is about $27 billion of currency in circulation—which, by the way, is fully five or six times as much as we had in 1933; and, obviously, if we return to "redeemability," and if all of that currency were to be presented for redemption — we wouldn't have quite enough gold. But we have a good precedent to show that that would be most unlikely to happen:

When the U. S. returned to "redeemability" in 1879, there was $347 million of paper "greenbacks" in circulation; and the Treasury owned not more than $130 million in gold. And there were "skeptics" at that time who predicted that if we returned to the gold standard the Treasury's gold would be quickly exhausted. But the law restoring the privilege of "redeemability" had been passed by Congress, and it was put into force as of Jan. 1, 1879; and it is a matter of record that the total amount of that circulating currency presented for redemption during the following 12 years was only $28 million—or less than 1% per year of the total greenbacks in circulation. There is sound economic opinion that if we were to return to "redeemability" today, the demand for redemption-of-currency in gold would be no greater, percentagewise, than it was in 1879—and probably even less than at that time. We, therefore, have almost enough gold to support that rate of redemption for nearly one hundred years, even if we add no more to our present stockpile. But new gold is always being mined, and the Treasury is, quite properly, acquiring all that is offered, at the official price of $35 an ounce; and, since we are essentially an "export" nation—as has been true for generations—there is bound to be gold flowing to this country to adjust the international balance of trade when and as the other nations get back on their economic feet. By no stretch of the imagination, therefore, can anyone properly contend that we lack the necessary gold to return to an honest gold standard. The following statistics support our theory:

One-million-dollars in gold weighs just short of one-ton avoirdupois—to be exact, 48/49ths of a ton. Our $23 billion in gold is almost 23,000 tons—or about 460 railway carloads of 50-tons per car. It represents roughly ½ of all the gold the world has produced since Columbus discovered America. So if we don't get back on the Gold Standard, it won't be for lack of the necessary gold.

The foregoing facts pose this important question: What can you gentlemen—first and foremost in your capacity as Americans, and next as Republican Party leaders,—do to correct this evil situation? Here are some thoughts that may well be given your careful consideration: The individual denominations of our present-day "irredeemable" printing press paper-money each bear the likeness of an outstanding American—Washington, Lincoln, Hamilton, and Jackson—for the smaller denominations. While that money is claimed by our government to carry a value of 1/35th of an ounce of gold per dollar, the government has failed to make good that claim since the year 1933. Under those circumstances, that money is a disgrace to America; and it is an insult to the Great Americans depicted thereon.

We should do one of two things: Either make that paper money "as good as gold"; or we should recall it all and replace it with an entirely new paper money bearing the likeness of those equally well-known, but far less honest, Americans who gave us this form of present-day fake money.

It is just possible that these inescapable facts may suggest to you a platform on which you can stand with pride before all true Americans in 1952.

Guaranteeing Private Foreign Investment

By H. J. DERNBURG*
Economist, Federal Reserve Bank of New York

Mr. Dernburg recommends United States guaranties as most direct approach to fostering private foreign investment, and urges Congress to expand ECA's guaranty powers to non-ERP nations. As reason for current scant use of existing guaranty facilities, he cites, among other factors, lack of sufficient information among potential investors, and excellent business conditions at home which discourage private foreign investment

H. S. Dernburg

With a view to raising standards of living in the underdeveloped areas of the world, President Truman, in his inaugural address of January, 1949, launched the Point Four program, and recommended among other things that the United States should foster capital investment in such countries. In this connection he mentioned guaranties to United States investors willing to risk their capital in underdeveloped areas. The Administration accordingly recommended in the spring of 1949 that Congress adopt an ambitious program of Export-Import Bank guaranties covering investment in both developed and underdeveloped areas.

The bill containing the guaranty legislation, as originally introduced in almost identical terms in both houses in July, 1949, would have authorized the Export-Import Bank "to guarantee United States private capital invested in productive enterprises abroad which contribute to economic development in foreign countries against risks peculiar to such investments." Congress, however, was slow to act, and the House, as late as July 12, 1950, passed an amended bill which, first, would have limited the amount of Export-Import Bank guaranties outstanding at any one time to $250 million; secondly, would have limited coverage specifically to the transfer risk and/or the risk resulting from expropriation, confiscation or seizure; and, thirdly, would have made the guaranteeing of private United States investment in foreign enterprises contingent upon the conclusion of investment treaties with the respective countries. The Senate, however, never passed its own bill, and the new 82d Congress has not resumed deliberation of the guaranty program. Although the Gray Report[1] has recommended its enactment, the Administration is not currently pressing its adoption.

At the present time, the Economic Cooperation Administration (ECA), the Export-Import Bank, and the International Bank have at their disposal certain limited guaranty powers. The only active program, however, is that of ECA, which is limited to ERP nations and their dependencies. Since the Export-Import Bank is not making new guaranty authorizations and the International Bank is fairly inactive in this field, there is at present no world-wide guaranty program in operation that covers such underdeveloped areas as Latin America and Asia. There are available, moreover, greater facilities for the guaranteeing of loan investment than of equity investment, only ECA having authority to guarantee both. The program proposed by the Administration for the Export-Import Bank would have been world-wide in scope and was especially designed to promote equity investment.

There is at present, however, hope that Congress will adopt after all a world-wide program. In a bill recently passed by the House, authorizing the foreign-aid programs for fiscal 1952, ECA was given authority to issue guaranties in any area for which the bill authorizes financial or technical assistance. This provision would extend the ECA guaranty program to virtually all areas outside the Soviet orbit. In the interest of a more forceful implementation of the Point Four program, it is to be hoped that the Senate will concur and that the expanded program will be enacted.

Guaranties against the risks of non-convertibility and expropriation, now authorized by ECA, are by no means ideal because, if invoked, they would burden the United States with a number of inconvertible currencies. They are recommended, however, because they are the most direct approach to fostering the outflow of private capital which, in view of unfavorable experiences in the past, needs encouragement. It would, of course, be more desirable and appropriate if, instead of the United States guaranteeing private investment, the countries in which the investments are made would give "guaranties" that they will treat private United States investment fairly and equitably. In fact, the United States is pursuing a program of concluding investment treaties, in which the contracting countries promise, among other things, that investors will be given reasonable opportunity to remit their earnings and withdraw their capital, and that they will not be deprived of their property without prompt, adequate and effective compensation. Such assurances, however, need to be supplemented by American guaranties, since changes in economic conditions may make it impossible for foreign governments to live up to their promises or since successor governments may not feel bound by them.

ECA Guaranties

The Economic Cooperation Act of 1948, as amended, authorizes the ECA Administrator to issue a limited form of guaranty for new American dollar investment in participating countries or their dependencies. According to the Act, the investments to be guaranteed should foster the broad objectives of the ERP, and the projects themselves must be approved by the government of the participating country.

The ECA guaranties cover the transfer risk and/or the risk "by reason of expropriation or confiscation by action of the government of a participating country"[2] for periods not extending beyond April 3, 1962. The guaranties, however, do not cover ordinary business risks, the risk of exchange rate fluctuations, or the war damage risk. They apply not only to investment in tangibles, but also to investment in, or to the licensing of, intangibles such as patents and the use of processes and techniques. Authority to issue guaranties against the risk of expropriation and confiscation, and to cover intangibles in addition to tangibles, had not been provided in the original Act of April 3, 1948, but were subsequently included by virtue of amendments that went into effect on June 5, 1950.

In the case of investments in tangibles, the convertibility guaranty covers the invested amount plus earnings, the latter—according to an administrative determination—up to an amount of 75% of the dollars invested, with a proviso for additional earnings arising from intangibles incident to the capital investment. In the case of investment in intangibles, without any accompanying tangible investment, the amount of profits to be covered by the convertibility guaranty is determined by the Administrator on the basis of "what is found to be reasonable under the circumstances."

The guaranties covering the risk of expropriation and confiscation may be invoked by the beneficiary in the case of equity investments, not only if he has been actually divested of the property concerned but also if, by governmental action, he has been denied for a period of one year such control as he may have had over the property. In the instance of loan investments, the guaranty may be invoked if the governmental action (excluding exchange controls) prevents repayment of principal for a minimum period of one year or of interest payments for a minimum of three years. In all cases, the investor may not invoke the guaranty until one year after the expropriatory action has started, prior to which he must pursue all available judicial and administrative remedies. The investor must transfer to the United States Government all rights in connection with the guaranteed equity or loan investment, if and when the guaranty is invoked. In all cases the investor must pursue all available judicial and administrative remedies until the transfer of rights is effected. Prior to the issuance of guaranties, the government of the country in question must give certain assurances that any claims acquired by the United States Government from its guaranties will be settled by negotiation between the governments.

Convertibility and expropriation guaranties may be issued by ECA up to a total of $200 million, of which not more than $10 million may be committed in any fiscal year for so-called "informational media" guaranties.[3] By the end of April, 1951, after three years of operations, ECA had given "informational media" guaranties of $9.1 million and convertibility guaranties for industrial investment aggregating the modest sum of $29.9 million. The latter amount consisted of 30 guaranties, including two for investment in oil-refining facilities in Italy of $14.5 million and $4.5 million, respectively. The 28 other industrial guaranties in five ERP countries ranged in size from $17,500 to $2,025,000. The first transfer guaranty covering royalty payments for manufacturing processes and other technical know-how without any accompanying capital investment was issued in March, 1951, in Western Germany, while the first guaranty covering the risks of expropriation and confiscation was authorized in May, 1951, for an equity investment in Berlin.

Export-Import Bank and International Bank Guaranties

The *Export-Import Bank*, which has power to guarantee "evidences of indebtedness" as well as "securities," has used its powers chiefly to promote commercial bank participation in its loans. In recent years, however, only a few credits have been granted by commercial banks under Export-Import Bank guaranty. Outstanding credits of this type totaled $45 million by the end of June, 1951, but almost all of these credits were authorized prior to 1945.

The Rockefeller report[4] has recently come forward with a recommendation, which is presently under study at the Export-Import Bank, that the Bank earmark $100 million of its lending power to underwrite the transfer risk on new foreign dollar bonds purchased by private United States investors. The sum recommended is modest, and could be made available without an increase in the Bank's lending power as recommended in the President's foreign-aid message. The outlook for a revival of foreign bond financing is probably brighter than is generally believed,[5] and it may prove beneficial to prime the pump by a modest amount of Export-Import Bank guaranties.

The *International Bank* has authority first, to guarantee in whole or in part loans made by private investors through the usual investment channels; and, secondly, to guarantee securities in which it has invested for the purpose of facilitating their sale. To date the Bank has engaged only in financing of the second type, by selling to private investors, with its unconditional guaranty, certain debt obligations of its borrowers, which it had received when originally extending the credits. In this way private investors have taken over $28.5 million of credits that the International Bank had extended, of which an amount of $25.5 million is still outstanding.

Reasons for Scant Use of Guaranties

In conclusion, very little use has been made to date of existing guaranty powers. According to the latest available figures, industrial investment guaranties authorized by ECA amount to about $30 million; outstanding debt obligations taken over by private investors from the International Bank under its guaranty total about $25 million; the credits outstanding under Export-Import Bank guaranty, amounting to $45 million, are considerably larger, but were virtually all authorized prior to 1945.

The modest amount of guaranties issued has been puzzling to many observers. It presumably results, at least in part, from certain causes that have discouraged the outflow of private capital in general. Excellent business conditions at home, for example, have tended to narrow the spread between the earning ratios on investments here and abroad and have thereby made foreign investment less attractive.

In view of the trend toward nationalization in many countries prior to, and following, the Second World War, it was of considerable importance that in June, 1950, ECA was authorized to cover not only the transfer risk, but also that of expropriation. No coverage has yet been provided, however, for the war risk, and failure to do so together with the present tense political situation may be an additional reason for the relatively small outflow of ECA-guaranteed investment.

OEEC has observed, moreover, that there is a remarkable lack of information on available guaranty facilities among potential investors and that "very wide publicity is needed to make United States investors aware of the opportunities open to them."[6] An analysis of the ECA guaranties issued to date indicates that there is considerable demand for guaranties on the part of small and medium-sized investors, and it may well be that greater publicity with respect to available guaranty opportunities reaching investors of this type might attract more capital in small amounts into the foreign investment field.

There are, however, certain circumstances acting as a brake to small and medium-sized investment under guaranty. In the case of ECA guaranties, for example, the foreign government in whose place has to approve the prospective investment, and in the territory the investment is to take case of International Bank guaranties the foreign government has to match the Bank's guaranty by its own guaranty, unless it is itself the borrower. These requirements are often difficult to meet, cause delay and "red tape," and tend to favor large and well-known borrowers and investors. By the same token, they are not conducive to attracting small and medium-sized investment.

Statutory ceilings for total commitments (including guaranties) in the case of the Export-Import Bank and the International Bank may have influenced the attitudes of these institutions toward guaranties. The International Bank appears to prefer giving loans of its own to issuing guaranties, because the latter would tie up lending authority for future straight loans. For the same reason, the Export-Import Bank has shown but moderate interest in a possible expansion or fuller utilization of its guaranty authorities in the absence of an accompanying increase in its lending power.

*This article is the individual work of the author and does not purport to set forth the official views of the Federal Reserve Bank of New York.

1 *Report to the President on Foreign Economic Policies*, Washington, November, 1950.

2 According to official interpretations, the term "government of a participating country" also applies to a successor government or governing authority established by conquest or revolution.

3 Such guaranties are made for "investments in enterprises producing or distributing informational media consistent with the national interests of the United States."

4 *Partners in Progress*, a report to the President by the International Development Advisory Board, Washington, March, 1951.

5 See my article on "Foreign Dollar Bonds: Present Status and Possibilities of Future Financing," *The Journal of Finance*, September, 1950.

6 Organization for European Economic Cooperation, *Report on International Investment*, Paris, 1950, p. 79.

Pac. Western Stores Stock Units Offered

White & Company and Gearhart, Kinnard & Otis, Incorporated on Aug. 28 offered a new issue of 15,000 shares of preferred 6% cumulative, $10 par value convertible stock and 30,000 shares of common stock, of Pacific Western Stores, Inc. at a price of $10.10 per unit of one share of preferred and two shares of common.

The preferred stock is subject to redemption at par value plus unpaid and accumulated dividends. One year after issuance the preferred stock is convertible into 10 shares of common stock for each share of preferred held.

Net proceeds of the offering will be added to the general funds of the company to provide additional working capital. The company plans to use the funds principally to acquire additional inventory and retail outlets.

Pacific Western Stores Inc. operates six stores in California and one in Denver, Colo. The stores in California do business primarily in television sets, while the one in Denver is a general appliance store.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Leon C. Crittenden has joined the staff of Waddell & Reed, Inc., U. S. National Bank Building.

Conflicting Economic Currents In Britain

By PAUL EINZIG

Pointing out economic and monetary trends are not always properly indicated in data based on averages, Dr. Einzig sees conflicting movements in range of wholesale and retail prices. Contends recent lowering of raw materials prices in Britain may not affect price levels of manufactured goods and concludes inflation and deflation forces are operating concurrently.

LONDON, Eng.—It is a pity real life is not nearly as simple as it appears in textbooks. According to most textbooks a country is either in a state of inflation or in a state of deflation or in a state of stability. A slightly wider variety of terms has been introduced in recent years through the discovery of "reflation" and of "disinflation." Even so, all the terms used in most textbooks to indicate monetary trends concern solely changes in averages. Hardly any economist dealing with monetary trends is sufficiently interested in the individual movements that make up the averages. Yet there are naturally wide discrepancies between the degree of rise or fall of individual prices or groups of prices of goods and services. What is equally important, a rising average or a falling average does not necessarily mean that all items are rising or falling to a varying degree. Very often the average is made up out of conflicting currents. Some groups of prices may rise while others fall, and vice-versa.

Dr. Paul Einzig

The discrepancies between the indexes of wholesale and retail prices are of course a well-known phenomenon. The wholesale index is much more elastic than the retail index, and wholesale prices register changes in the trend much earlier than retail prices and other items of the cost of living.

The present conflict between various sets of prices is, however, more complicated than a discrepancy between wholesale and retail prices. There are conflicting movements also within the range of wholesale prices. While the price of wool, cotton, rubber, tin, etc., is falling, other raw materials continue to rise. Perhaps it is correct to say that, as a general rule, there is a reaction in raw materials the prices of which had an exaggerated rise in 1950 and early in 1951 caused by stockpiling purchases. Apart from this group the trend of raw materials remains upward. There is no justification for assuming that the fall in the prices of a number of raw materials is the forerunner of a general slump, or even a general cessation of the inflationary rise.

As far as manufactures are concerned utter confusion in Britain prevails at the time of writing, owing to the uncertainty of the prospects of raw material prices. To this day the prices of many lines of manufactures have not adapted themselves to the rise in raw material prices. Many firms had large stocks of raw materials which they acquired before the rise—this is particularly true concerning Bradford woollen manufacturers—and they were content with a profit based on the cost of production rather than the cost of replacement. Having exhausted their stocks of cheap raw materials they had to buy new stock at high prices, with the result that their current output of manufactures has to be sold at high prices. As a result of the recent fall in raw material prices they are once more in a position to produce at a lower cost—provided that they have used up their high-priced raw materials.

The rise in prices of manufactures produced out of dear materials has mopped up a great deal of purchasing power. In that sense it has produced a disinflationary effect. On the other hand, purchasing power is increased through the granting of wages increases to many millions of workers. Over-full employment is increasing with the progress of rearmament, and employers are offering higher and higher wages in an effort to acquire or retain the hands they need. This is really the basic fact of the situation. Even a substantial reduction in the cost of living would not make much difference in this respect. The workers know well that their bargaining position remains strong so long as rearmament continues. Not only are they not prepared to sacrifice part of their earlier gains in the interest of rearmament, but they want to take the opportunity for securing further gains.

On the other hand, the possibility of a psychological slump resulting from a relaxation of the international political tension must be borne in mind. Although the purchasing power of the working classes is likely to increase, that of most other classes has suffered through the rise in prices. A slump in industries producing goods which are not in demand by the working classes is a possibility, and once it starts it may not confine itself to its original sphere. Inflation and deflation in Britain are running concurrently in various sections of economic life. The question is which of the two currents is likely to prove to be the stronger. The answer depends on the extent of the possible relaxation of the international political tension. Should it go sufficiently far to result in a substantial curtailment of rearmament the deflationary factors would gain the upper hand.

Should rearmament continue on an increasing scale, the local deflationary factors would sooner or later be overpowered by the inflationary current. After their recent fall, the price of wool, cotton, etc., would become once more sensitive to inflationary influences. In spite of the fall in the prices of raw materials the manufactures produced with the aid of cheaper materials would remain relatively high. Industrial and commercial firms would find that, thanks to the scarcity caused by the diversion of productive forces toward rearmament, they are in a position to hold out for higher prices. This would be so as far as those manufactures are concerned which are bought by the working classes. Continued rearmament would eventually establish a high degree of uniformity in monetary trends. Discrepancies would adjust themselves in an upward direction. All other factors are of moderate importance compared with the rearmament factor.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

While, as it was indicated in our issue of Aug. 23, page 704, that a termination occurred on Aug. 21 of the conversations which had been in progress looking toward the possible acquisition by the **Chase National Bank of New York**, of the commercial banking and trust business and branch system of the **Bank of the Manhattan Company of New York**, we are giving herewith a release in the matter, dated Aug. 23 and made available on Aug. 24 by Murray Shields, Vice-President of the Bank of the Manhattan Co., covering the various aspects of the conversations and their termination.

Mr. J. Stewart Baker, Chairman of the Board of Bank of the Manhattan Co., made the following statement today:

"Several days ago the Chase National Bank initiated conversations relating to the possible acquisition of the commercial banking and trust business and branch system of the Bank of the Manhattan Co. Although the directors of the Bank of Manhattan Co. had had no thought of disposing through either sale or merger of the business of the bank, nevertheless as representatives of the stockholders they believed that the plans suggested should be given consideration. Therefore, they requested that a study be made.

"During the course of these investigations, it became evident that it was known in some quarters that conversations were being held and it was regarded as only fair that all concerned should be informed that such was the case. Consequently, the following statement was issued on last Monday noon, Aug. 20:

"'Winthrop W. Aldrich, Chairman of the Chase National Bank, and J. Stewart Baker, Chairman of the Bank of the Manhattan Co., stated today that conversations are being held regarding the possibility of the acquisition by the Chase National Bank of the commercial banking and trust business and branch system of the Bank of the Manhattan Co.'

"On Tuesday, Aug. 21, however, it developed that there were legal obstacles to the transfer by the Bank of the Manhattan Co. of its banking and trust business and branch system. Counsel for the Bank, Messrs. Root, Ballantine, Harlan, Bushby & Palmer, on that day advised the board of directors of the Bank of the Manhattan Co. that because the company was chartered in 1799 and prior to the time when the statutes of New York State authorized such a transfer by vote of two-thirds of the stockholders, any transfer of the business of the bank out of its effective ownership and control either by sale of by merger, would require the vote or consent of the holders of all of the stock of the company and that an objecting stockholder by timely application to a court could obtain an injunction against such sale or merger.

"This, as a practical matter, made it impossible to consummate any plan which provides for the transfer of the business of the Bank of the Manhattan Co. by sale or merger. There obviously was no point in further study of the other important problems involved or in continuing an appraisal of the financial aspects, and the following announcement was promptly made on the evening of Aug. 21:

"'Referring to the statement issued yesterday by Mr. Winthrop W. Aldrich, Chairman of the Chase National Bank, and Mr. J. Stewart Baker, Chairman of the Bank of the Manhattan Co., Mr. Baker stated tonight that since the issuance of this statement legal obstacles to the transfer by Bank of the Manhattan Co. of its commercial banking and trust business and branch system have become evident; and conversations regarding the possibility of the acquisition of them by the Chase National Bank have been terminated.'"

* * *

The appointment of Albert St. C. Nichol to the post of Agent, **Bank of Montreal**, and as President and Cashier of the Bank of Montreal (San Francisco), was announced on Aug. 28. Mr. Nichol, who has been Second Agent at the bank's **New York Office** since 1947, succeeds Gerald T. Eaton who is retiring in October on pension. Associated with the Bank of Montreal for 35 years, Mr. Nichol has served as Assistant Manager in Chicago, later taking charge of that office, and as Third and Second Agent in New York City.

* * *

N. Baxter Jackson, Chairman of **Chemical Bank & Trust Co. of New York**, announces the election of William D. Carr as Vice-President. Formerly a partner of Beekman & Bogue, attorneys, Mr. Carr will participate in the development and management of the bank's corporate trust business. He will assume his duties on Sept. 1.

* * *

Irving Trust Co. of New York announced on Aug. 27 the following promotions: George R. Leslie, Jr., to Assistant Vice-President—Mr. Leslie is with the company's Fifty-First Street Branch Office in loaning and customer contact activities; Robert S. Bell to Assistant Secretary—Mr. Bell, now with Irving's Branch Office Administration Division, will join the staff of its Woolworth Branch Office in loaning and customer contact work; Walter Boresch to Assistant Secretary—Mr. Boresch is with the company's Twenty-First Street Branch Office, supervising Operations; Frederic J. Fuller, Jr. to Assistant Secretary—Mr. Fuller assists in handling customers at Irving's Fifty-Seventh Street Branch Office; Nelson W. Kimball to Assistant Secretary—Mr. Kimball is with Irving's Investment Review Division in the review of and counsel on Pension Fund Trusts; S. George Savory to Assistant Secretary—Mr. Savory is with the Woolworth Branch Office in loaning and customer contact activities; John E. Turner to Assistant Secretary—Mr. Turner is engaged in customer contact and loaning work at Irving's Forty-Second Street Branch Office.

* * *

At the Executive Committee meeting of the board of directors of **The National City Bank of New York** held on Aug. 21, John B. Ackley, Jr. and Alexander Drysdale were appointed Assistant Vice-Presidents. Both formerly were Assistant Cashiers. It is further announced that at the executive committee meeting of the board of directors on the same day John H. Early, Serge J. Hill and Edward F. Yungjohann were appointed Assistant Cashiers.

* * *

Dr. Frank D. Fackenthal, Acting President of Columbia University from 1945 to June, 1948, when he retired, has been elected Vice-President of **Bushwick Savings Bank of Brooklyn, N. Y.**, by the board of trustees, it was announced on Aug. 23, according to the Brooklyn "Eagle," which also said in part:

"Besides being a trustee of the Bushwick Savings Bank, he is also a trustee of Franklin and Marshall College, Columbia University, Barnard College and the Riverdale Country School. His father, Michael Fackenthal, was a trustee of the Bushwick bank from 1907 until his death in 1938."

* * *

Mary A. Mannix was appointed Assistant Secretary of the **Kings County Trust Co. of Brooklyn, N. Y.**, at a recent meeting of the trustees. She has been with the company since 1922.

* * *

Directors of the **Merchandise National Bank of Chicago** have elected Kenneth K. DuVall Chairman of the Board and President. He succeeds the late F. W. Van Antwerp, who died June 6. Mr. DuVall, President of the First National Bank of Appleton, Wis. since 1946, will leave his present position to assume his new duties on Oct. 1. He is well known in Chicago banking circles, having served as Vice-President of the City National Bank & Trust Co. before going to Appleton. The new Merchandise Bank President and Chairman has been prominently identified with the School of Banking at the University of Wisconsin. He is a past President of the Robert Morris Associates, a national association of bank credit officers, and a director of Appleton Wire Works, Inc. and the Marine National Exchange Bank of Milwaukee. Mr. DuVall is a native of Paris, Ill., and a graduate of the University of Illinois.

Kenneth K. DuVall

* * *

The proposal to merge the **Northeast National Bank of Philadelphia** into **The Pennsylvania Co. for Banking and Trust of Philadelphia** will be voted on by the stockholders of the two institutions at special meetings on Nov. 5, it was announced on Aug. 22. The voting date was approved by the Northeast National Board at a meeting Aug. 22, and follows similar action by The Pennsylvania Co. directors on Aug. 20. The merger proposal, subject to the approval of the banking authorities, had recently been ratified by both boards. The terms of the merger agreement provide that each share of Northeast National Bank shall receive 10 shares of the stock of The Pennsylvania Co. Northeast now has 6,000 outstanding shares, so that its shareholders will be entitled to 60,000 shares. "The above exchange represents a modest premium over the appraised value of Northeast's assets," states William Fulton Kurtz, President of The Pennsylvania Co., in his notice of the Nov. 5 meeting, "though that company's earnings appear sufficient to cover the present dividend requirements on the 60,000 new shares of The Pennsylvania Co. stock." In his notice to stockholders, C. John Birkmann, President of Northeast, stated that the merger is being proposed for the mutual benefit of the stockhold-

ers of both institutions and to make possible an expansion of banking facilities in the northeast section of the city. Northeast National, which opened for business in 1928, has assets currently valued at approximately $20,000,000. The merger would increase the total assets of The Pennsylvania Co. to more than $700,000,000. An item bearing on the proposed merger appeared in our issue of Aug. 9, page 518.

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Advices to the effect that G. Edward Hamer has been appointed Assistant Vice-President and Manager of the Braddock office of **Mellon National Bank and Trust Co. of Pittsburgh**, appeared in the Pittsburgh "Post Gazette" of Aug. 17. It was added that Mr. Hamer, formerly Assistant Manager, will succeed James Toddie, who will retire.

* * *

The capital of the **Farmers National Bank of Bucks County, at Bristol, Pa.**, was increased effective Aug. 6, from $250,000 to $500,000, as a result of the sale of $250,000 of new stock.

* * *

The Fourth National Bank of Columbus, Ga., increased its capital effective Aug. 15 from $200,000 to $400,000. $100,000 of the increase was brought about by a stock dividend, while the further addition of $100,000 occurred through the sale of new stock.

Continued from first page

Economic Outlook: Inflation or Deflation

the private side of the economy, operating in the last year.

In contrast to these, defense expenditures have increased by about $19,000,000,000. Thus we find the expansion on private account adds up to considerably more than $40,000,000,000, whereas the expansion on public account is less than $20,000,000,000. Against a total expansion on private account of more than $40,000,000,000 I have deducted the moderate decline which we have seen in consumer expenditures for new housing. In addition, we must remember that the cash consolidated budget of the Federal government showed $7,500,000,000 of receipts in excess of expenditures.

The Deflationary Forces

It has been a big boom, and it has been a strong boom. Banks generally have not actively taken to a defense of the extraordinary usefulness and timeliness of their large increases in loans granted last year. Those increases in loans made possible the remarkable rise in inventories which is the principal cause of what has now become a deflationary trend. That trend has sent wholesale prices down from a peak of 184.4 reached in the early weeks of last March to 177.4 reached a week or two ago. The cost of living has recently showed purely nominal decreases, but considerably more in the way of cost of living decreases can be expected in the months ahead.

We are all aware that a boom in business expenditures for plant and equipment can cause inflation. In such a boom businesses during the "period of gestation" or period of real physical capital formation increase the money incomes of many members of society without an immediate response in the output of consumer goods. As a result, incomes are in excess of goods at constant prices. Result: inflation.

To this force was added the extraordinarily powerful force of inventory accumulation. During a period of inventory accumulation, business may produce a total sum of $200,000,000,000 of goods for consumers. But if $17,500,000,000 of these goods are withheld in enlarged inventories, only $182,500,000,000 flow into consumer markets. Incomes are too great. Prices rise by about 10%.

That, in brief, is the story of business from June 26, 1950, to March 15, 1951.

Then were introduced three powerful deflationary forces. In the second quarter of 1951 consumers lowered their rate of purchase of consumer goods, and by $5,000,000,000. This was despite the fact that their personal incomes were increased by $5,000,000,000. Result: $10,000,000,000 less spending upon what was proving to be an enlarged supply of available goods, and an increase of $10,000,000,000 in our personal savings. As a result the amount of inventory increase rose to $14,000,000,000 (annual rate) from $9,000,000,000 in the previous quarter. This was "involuntary investment" on a large scale.

Then the first quarter of 1951 saw a huge cash budget surplus. That increase in the "tax take" dampened spending too.

Finally, about the first of February came another powerful force. That force was the restoration of independent control of the uses of bank credit by the Federal Reserve authorities. As a result, longer term government bonds were allowed to decline in price, and the yields on shorter term bonds were increased. Now there was a real sacrifice-cost for anyone who chose to sell a government bond. In addition, because bonds were no longer supported by the Federal Reserve system, Federal Reserve credit was not issued unstintingly at 100 or better for every government bond. When the Federal Reserve "paid par," that payment was made in that kind of high-powered money we call "bank reserves." For every $1,000,000,000 of bank reserves so created by the mere act of the purchase of government bonds by Federal Reserve Banks, the member banks, on the basis of this $1,000,000,000 increase in their reserves, are able to lend $6,000,000,000 more and yet maintain required reserves.

Thus we see the powerful forces of budget surplus ($7,500,000,000), prospective inventory liquidation (amount—???), and credit control have brought about deflationary trends in the economy. Of these three forces, credit control has been important, and, it is to be hoped, will continue without further interference by Congress or the Treasury. The deflationary force of increased taxes appears to be reasonably certain in an amount of $5,000,000,000 to $7,000,000,000.

But of the present deflationary forces, the possibility that inventories may be liquidated looms as the most powerful. Care in the analysis is required here. Suppose businesses chose to reduce their inventories from the $70,500,000,000 reached at mid-year (up from $53,000,000,000 a little more than a year ago) by only $2,500,000,000 in the next six months. Such a "de-accumulation" of inventories would mean that, as an annual rate, $20,000,000,000 less money would be paid into the money income stream of the community without loss of supplies of consumer goods. That is a modest decrease in the rate of inventories accumulated, but it suffices to offset completely the expected increase in all "compensation of employees" of $20,000,000,000 as an annual rate in the next 12 months.

This leaves the inflationary force of defense spending **increases** in an expected amount of about $16,000,000,000. Against that increase in defense expenditure, the community will produce probably more than $10,000,000,000 more goods as a result of the very greatly increased productivity of the economy now that it is operating so constantly in the upper reaches of output. This leaves us with a slight balance on the inflationary side, but some reduction in housing expenditures, in business expenditures for new plant and equipment, and perhaps even further reduction in consumer purchases can strike a balance on the deflationary side.

After Inventory Liquidation—More Inflation

But the deflationary force of inventory is a "one-shot" affair. When it is done, incomes are swollen by the amounts then again produced for current account and not brought down from the accumulated and "inventoried" supplies for which incomes had been paid out in a prior period. Thus the expectation of deflationary trends is to be limited certainly to the next nine months, and possibly to the next six months.

Only stockpiling remains to be considered. Here the build-up of inventories has given the United States bargaining power, because bargaining power is only the power to wait. Wait we now can, because we are richly endowed with last year's inventories and stockpiling. I therefore do not look at all for the level of wholesale prices to attain the peak figure of 184 of early March, 1951 until after the end of March, 1952.

This analysis portrays a remarkable picture. It is the picture of inexorable inventory recession actually occurring under an impending overhanging cliff of presumed higher future outlays for war goods. We have recently had two such inventory recessions (1949 and 1951). The handling of inventory recessions is not too difficult in terms of businessmen's inventories and the wholesale price level. But, have we reached the stage in economic analysis which reveals that consumer inventories stored in home, attic, and garage can also affect the cycle in a way that can be completely misgauged? If so, businesses themselves had best be prepared to start perpetual inventory measurements for goods owned by the consumers of America.

"When goods are produced, they are either consumed or are lying around somewhere," says Professor Kenneth Boulding of the University of Michigan.

Is it time for business to start measuring the inventories of our consumers endowed with a richness which permits them to buy in goods amounts which are equal to two and three times their biological necessities?

W. C. Doehler Co. Opens in Jersey City

JERSEY CITY, N. J.—W. C. Doehler Co. have opened an office at 15 Exchange Place, and are specializing in over-the-counter securities. They also do a clearance and commission business for New York security houses.

Direct New York City wire is WHitehall 3-6898.

Parker W. Meade Opens

SAN DIEGO, Calif.—Parker W. Meade is engaging in the securities business from offices in the San Diego Trust & Savings Building.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The market for fire insurance shares so far this year has been generally unexciting. During the past several weeks, however, most indexes of fire insurance stock prices have been making new highs and many of the individual issues are now selling at the best prices reached in 1951.

Fire insurance shares generally have fluctuated this year in a narrow range. According to Standard & Poor's index of 18 fire insurance stocks the range for the year has been a high of 193.6 recorded last week and a low of 178.0 reached during the last week of January.

The market for insurance stocks reacted sharply to the outbreak of war in Korea. After this adjustment, prices began moving up and reached a new high at the end of 1950. Indications of an unfavorable underwriting experience in certain insurance lines experienced during the last half of 1950 resulted in some selling of stocks and the market reached its low for 1951 at the end of January.

While the industrial stock market continued to move ahead during the first half of the year, insurance shares fluctuated in a narrow range. Undoubtedly one of the depressing influences was the continued unfavorable experience in the automobile liability lines, the November windstorm, and the increased claims in other phases of underwriting arising from the general increase in prices.

Operating results of most companies for the first half of the current year were unfavorable compared with those of a year ago which probably did not help sentiment either.

Recent developments indicate that a base for an improvement in underwriting operations is being made. Many states have recognized the necessity of higher rates on the automobile lines and have granted them.

Other underwriting lines have been under review and while there have been some reductions in fire rates the overall structure is much sounder than earlier this year.

With the prospect of some improvement in underwriting over the next year, the insurance shares have been firmer and the general list has moved ahead. Of course, there are variations among individual issues and some are still selling below the prices reached at the end of last year. In only a few instances, however, is the gain or decline from year-end prices of any substantial amount.

In the table below, the record of prices so far this year, together with the current market, the bid price at the end of last year and the change for the period, are shown.

	Cur. Market Bid	Bid Price Dec. 30 1950	Change	1951 Price Range High	Low
Aetna Insurance Co.	54¾	57½	— 2¾	61¼	49
Agricultural Insurance	69½	68	+ 1½	75	68
American Insur. (Newark)	22½	22½	--	22¾	19¼
Boston Insurance	61½	58¼	+ 3¼	62¾	54
Camden Fire	20⅞	20¼	+ ⅝	22½	20⅜
Continental Insurance	70	70½	— ½	78	64½
Federal Insurance	85½	75	+10½	85½	75
Fidelity-Phenix	71	69¾	+ 1¼	78	65
Fire Assoc. of Phila.	60¼	58	+ 2¼	62½	52¼
Fireman's Fund Insurance	52¾	57½	— 4¾	58¼	47
Fireman's Insur. (Newark)	22	22¾	— ¾	22⅞	19¾
Glens Falls Insurance	58¼	53¾	+ 4½	58¼	52
Great American	35½	31¼	+ 4¼	36½	30¾
Hanover Fire	32⅝	32¾	— ⅛	34	31
Hartford Fire	142	136	+ 6	142	122
Home Insurance	37½	34½	+ 3	37¾	34¼
Insurance Co. of No. America	72½	64	+ 8½	73½	62
National Fire	60¼	55½	+ 4¾	62	55¼
National Union Fire	36¼	33¼	+ 3	36¾	32¼
New Hampshire Fire	39¾	39¾	--	42	38
Phoenix Insurance	81¼	84	— 2¾	84¼	74
Providence-Washington	29½	30¼	— ¾	30½	26¾
St. Paul Fire & Marine	32¼	28½	+ 3¾	33¼	28½
Security Insurance	32	31¾	+ ¼	34½	31¼
Springfield Fire & Marine	45½	41½	+ 4	46	41½
Westchester Fire	22	22¼	— ¼	22¼	19¾

Relative to most standards of comparison insurance stocks are reasonably priced. The current market prices are generally substantially below the equity book values. Investment income, which is the usual determinant of dividend policies, is increasing and provides ample coverage, in most cases, for current payments. The increase in premium volume being experienced currently should further add to investment income. Over a period of years there seems to be reasonable assurance that many companies will be in a position to increase their dividend payments.

While the market for insurance stocks will be influenced by the general stock market, current conditions seem to favor a period of firm prices for most insurance shares.

Joins Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Dorothy Armstrong is now associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Miss Armstrong was previously with C. E. Abbett & Company and Hexter & Co.

Rejoins First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Robert M. Evans has rejoined First California Company, 647 South Spring Street. He has recently been with Dean Witter & Co.

Railroad Securities

Betterment in Rail Earnings Expected

At the present time the railroad markets are having to contend with a series of quite unfavorable earnings reports. So far most of the July statements have shown disappointingly poor comparisons with a year earlier. While a downturn in earnings had generally been recognized as inevitable, it is not likely that such sharp declines as have been reported by many of the carriers had been anticipated. Under the circumstances the market performance of this section of the market has been remarkably good. It is doubtful, however, if any real or sustained strength can be developed until earnings again show signs of betterment.

In attempting to forecast what the rail market might do during the summer months it had been stressed in many quarters that the traffic picture would not be bright. Civilian goods production was tapering off perceptibly and armament production was still lagging. Also, the coal picture did not look too healthy, with inventories expanding steadily and no labor difficulties looming to spur additional stockpiling. These influences were known and recognized some time ago. By themselves they would presumably not have been too serious. However, a very important outside influence entered the picture, the full impact of which could hardly have been foreseen.

The railroads were very seriously affected by the floods, which did unprecedented damage, particularly in the Kansas City area. For the roads directly hit by high water this was a double-edged sword. The damage to railroad property and equipment was very extensive. This was covered in considerable detail by many of the individual roads in letters sent out to their stockholders. Also, these same roads lost a large amount of traffic that would have moved under normal circumstances. What had not been so generally recognized was that this loss of traffic would also naturally have repercussions on the freight traffic of connecting carriers. It is this latter consideration that is now showing up as a surprise in many July reports.

Many of the roads are charging the full estimated costs of the floods in July. Others will presumably spread the costs over a longer period, so that August results may also reflect some of this damage. Furthermore, the general traffic picture is still under the influence of the letdown in civilian production without a compensating rise in armament output. Passenger comparisons will be with a period last year when western roads in particular were already feeling the impact of the Korean War. Finally, higher costs will be operating without the offset of much increase in freight rates. Considering all of these factors it seems obvious that year-to-year comparisons will again be unfavorable in August, although the earnings declines should by no means be so widespread nor so substantial as they were in July.

While the near-term outlook for railroad securities thus remains somewhat obscure, there are many railroad analysts that look for a decided change for the betterment later in the year. For one thing, September earnings results will reflect the full effects of the increase in freight rates recently granted by the Interstate Commerce Commission. Secondly, it is felt in many quarters that maintenance outlays will tend to flatten out. In this connection it is of interest to note that Pennsylvania Railroad last week announced that the comprehensive equipment rebuilding and rehabilitation program instituted about a year ago is now 90% completed. Finally, it is generally expected that it will not be too long now before the armament program gains sufficient momentum to offset the decline in civilian production. Thus, it appears likely that the earnings picture will improve materially in early future months. Coincident with the prospective improvement in the earnings picture it seems likely that the closing months of the year will witness a number of favorable dividend actions. In combination, these various factors could well bring a pronounced change in sentiment toward rail securities in coming months.

So. Calif. Ed. Bonds Offered by Bankers

A nationwide investment group managed by The First Boston Corp. and Harris, Hall & Co., Inc. yesterday (August 29) offered and sold $30,000,000 Southern California Edison Co. first and refunding mortgage 3⅛% bonds, series D, due 1976. The bonds, awarded to the group at competitive sale on Tuesday, are priced at 102% plus accrued interest to yield approximately 3.01% to maturity.

The utility company will apply the proceeds of the sale to its construction program which will involve expenditures of an estimated $138,009,000 for 1951 and 1952. Gross plant additions for the years 1946-1950 inclusive amounted to $282,651,000. The current program includes completion of the company's Big Creek No. 4 hydroelectric plant on the San Joaquin River, now in operation, and a new steam electric generating station in San Bernardino County with two generating units, each with a rated capacity of 100,000 kilowatts.

Giving effect to this financing the company will have a total long-term debt of $268,000,000. There are also outstanding 3,453,429 shares of cumulative preferred stock, 1,971,096 shares of convertible preference stock and 4,419,124 shares of common stock.

The company supplies electric energy in a territory in central and southern California embracing 76 incorporated cities and more than 150 unincorporated communities with an estimated population of 2,900,000. The more important cities served include Long Beach, Santa Monica, San Bernardino, Santa Barbara and Beverly Hills.

For the 12 months ended June 30, 1951 the company's operating revenues amounted to $111,560,459 and gross income before interest deductions was $25,332,017.

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Railroad Shares—Or, Trying to Keep Up With the Dow-Joneses

seems probable is some price persistence above the 30-year rail average of 67 (from 1920).

Thus it is that in gleaning whatever bullishness we may from the railroad list, we do so from special situations. We have already mentioned the oil-bearing rails, and now jot down some data about three that may look and perhaps, in due course, act better than the list.

First I think is Minneapolis, St. Paul and Slt. Ste. Marie RR. An incisive reorganization in 1944 reduced debt per mile here below $7,000 on the 3,100 miles operated. Management and control by Canadian Pacific is surely no debit against the property, while the geographic location of the line, connecting St. Paul, Minneapolis, Superior and Duluth with a section of Canada enjoying dynamic industrial expansion, augurs well for future earning power. Around 16 and paying $1, "Soo" current revenues suggest a 1951 net figure well above $3 on each of the 719,000 shares of common. A larger dividend payment appears within the realm of possibility.

Chicago and Northwestern got a lot of trouble out of the way early this year—a costly switchmen's strike in February plus March snows that shouldn't happen to an Eskimo gave NW a first half per-share debit of $4.85. That doesn't sound very bullish, but traditionally NW is a "last half" earner. Corn and spring wheat tonnage prospects are excellent—and at new and higher rates. A far-sighted program of dieselization is now paying off, with almost 80% of freight traffic diesel-hauled. With only 816,000 common shares outstanding, preceded by 914,000 shares of preferred and $185 million of funded debt, leverage is a powerful factor here; and conjecturing 1951 per share net at $4.75, something better than the $1.50 dividend dished out for 1950 might be declared. Presently selling around 23.

Seems to me it's about time Denver & Rio Grande Western common began to live up to its billing. Railroad analysts for the last couple of years have been tagging this as "a $100 stock," but the closest it has come to that, this year, is a snappy 65¾. If swell traffic, a solid cash position, the leverage of only 352,000 shares and possible earnings above last year's $12.50 can't stir up some sort of activity in DGR, then I guess we'll have to wait for the road to start wildcatting! A $3.00 dividend was paid last year—definitely on the modest side.

There are others you hear mentioned such as Gulf Mobile, Western Pacific, and B. & O. They too can offer some reasons why, in a kindly railroad market, they might be worth higher prices. But we work back again to our original thought. The avid railroad speculator seems either to have retired from the scene, or moved his affection over to the oils and chemicals. You don't see the mutual funds or the big investment trusts loading up on rails. But if they ever do decide that the carriers are neglected, and perceive some of these railway equities to be overly discounted, then once again we may have an animated rail market; and leading shares in this division may have an easier time keeping up with the Dow Joneses!

Life Companies Expand New Investments

Purchases of mortgages and investments totaled about $11 billion in first half of 1951. Mortgages and industrial bond portfolio show increase over previous year, but stock purchases are less, despite N. Y. State liberalization law.

The nation's life insurance companies made new investments of $10,812,000,000 in mortgages and securities in the first half of this year, the Institute of Life Insurance reports.

This year's large aggregate is due, in part, to the large volume of refundings and replacements. Nearly half of the aggregate new investment was in U. S. Government securities, reflecting the April exchange of about $3,000,000,000 of 2½s for 2¾% non-marketable bonds.

Greater Financing of Industry

Outstanding in the half year investments was the industrial bond portfolio. The life companies purchased $1,447,000,000 of industrial bonds, nearly twice the acquisitions in the corresponding period of last year. This total included a large extension of financing to defense plants.

Mortgage financing continued large, with $2,915,000,000 mortgages acquired in the six months, half again as much as in the first half of 1950. This year's aggregate was largely from commitments made before Regulation X went into effect.

In spite of the New York liberalization, permitting certain common stock investments, stocks acquired in the first half of this year were less than a year ago.

The half year investments were reported as follows:

	Acquired				Holdings	
	June 1951	June 1950	6 Mos. 1951	6 Mos. 1950	June 30, 1951	June 30, 1950
	(000,000 Omitted)					
U. S. Government Securities	$439	$83	$5,376	$451	$11,793	$14,698
Foreign Government Securities	35	12	131	46	1,506	1,393
State, County, Mun. Bonds (U. S.)	20	23	100	109	1,147	1,094
Railroad Bonds (U. S.)	19	75	147	208	3,134	3,043
Public Utility Bonds (U. S.)	105	252	450	804	10,497	9,793
Industrial & Misc. Bonds (U. S.)	300	168	1,447	733	10,157	8,695
Stocks (U. S.)	15	47	138	274	2,017	1,844
Foreign Corporate Securities	7	13	90	90	716	593
World Bank Bonds	--	--	18	1	70	51
Farm Mortgages: Veterans Adm.	1	--	3	2	30	28
Other	28	28	249	197	1,427	1,219
Non-Farm Mortgages: FHA	91	125	583	749	4,357	4,078
Veterans Administration	111	87	784	238	2,724	1,407
Other	218	158	1,296	838	8,908	7,412
Total Securities and Mortgages	$1,389	$1,076	$10,812	$4,740	$59,085	$55,348
Farm Real Estate	--	--	--	--	27	35
Other Real Estate	23	21	100	100	1,472	1,281
Policy Loans	39	46	285	257	2,510	2,307
Cash	--	--	--	--	947	970
Other Assets	--	--	--	--	1,686	1,413
Total Assets	--	--	--	--	$65,727	$61,354

Inflation Is the No. 1 Problem: Nadler

New York University economist warns unless ways and means are found to curb inflation, consequences will be more serious than is now publicly realized. Outlines three strains on business during this year.

Speaking at French Lick, Ind., on Aug. 27 at the "Calvert Challenge Sales Conference" of the Calvert Distillers Corp., Dr. Marcus N. Nadler, Professor of Finance at New York University, called inflation today's Number I Problem and predicted that "the business pattern will be marked by a high level of business activity, accompanied by full employment, growing national income and continued inflationary pressure." Although "many lines of business were complaining of hard times and fearful of a further decline in business activity," Dr. Nadler stated, "as long as the rearmament program and capital expenditures of present magnitude continue, business is bound to be good."

Marcus Nadler

Dr. Nadler contended that business during the next year will be subjected to three strains: "(1) rapidly growing military expenditures, (2) increased capital outlays by corporations, and (3) the expanded purchasing power these programs will generate, which in turn will lead to an increase in disposable income and hence to a great demand for consumer's goods."

Dr. Nadler warned that "unless ways and means are found to curb inflation" the economic and social consequences "will be more serious than is generally envisaged by the public at large." He urged "restraint in spending" by the government, business and individual in order to curb price increases.

At their peak, military expenditures, according to the economist, "will absorb about 20% of the gross national product." Some durable goods industries, "particularly those using materials in short supply, will be affected more than the so-called soft goods industries," he added.

The cessation of hostilities in Korea and the solution of the Iranian problem would ease the international political tension, Dr. Nadler predicted, and "would act as an anti-inflationary force and could prolong readjustment in some lines." Irrespective of international affairs, he said, "the rearmament program is bound to continue."

Dr. Nadler's conclusion is that "the readjustment, however painful it may be to some who overextended their activities and inventories in anticipation of shortages and higher prices, can be only temporary in character. Sooner or later the excess inventories will be worked off and the constant increase in the disposable income of the people will begin to be felt in all the markets." He also noted that "new credit policies of the monetary authorities adopted early in March of this year have also contributed to the readjustment now taking place in many lines of business."

SEC to Be Investigated

Rep. Louis B. Heller to head congressional committee to look into the Commission's operations and personnel.

On Aug. 24, Chairman Robert Crosser (Dem.) of the House Interstate Commerce Committee announced the appointment of Rep. Louis B. Heller (D.) of New York as head of a subcommittee to investigate the Securities and Exchange Commission.

Other members are: Reps. William T. Granahan (D.), Pa.; John A. McGuire (D.), Conn.; Harley O. Staggers (D.), W. Va.; Leonard W. Hall (R.), N. Y.; Hugh G. Scott, Jr. (R.), Pa., and John B. Bennett (R.), Mich.

After his appointment, Rep. Heller made a statement that his committee expects to hold public hearings after Sept. 12, and all who care to can come and tell what he knows about conditions in the SEC. The Congressman stated, however, that the investigation will not be a "sweeping" one, but merely an inquiry. He explained he plans to proceed in "strict conformance with all the standards of propriety that a judicial inquiry should have."

As for the reasons for the investigation, Rep. Heller said the Commerce Committee merely considered this an "opportune time" to re-examine the administration of the securities and exchange laws.

He denied that the investigation was prompted by a recent report drawn up by the staff of the House Judiciary Committee in connection with the relations of the SEC's personnel with United Corp. The House Judiciary subcommittee has received a report that five former SEC officials now hold high positions in the United Corp., a utility holding company.

Continued from first page

Stock Outlook for Balance of 1951

over-valued. Well, in 1937, $1,000 in earnings would have cost $17,-400; in 1929, $19,100. And in 1937, you would have been asked $22,-600 for annual dividends of $1,000; but in 1929, the price would have been even higher, $29,800!

From the above statistics it is clearly evident that, in relation to other bull market tops, you can now buy earnings and dividends at what look to be "bargain" prices. Of course, it must not be forgotten that income taxes were hardly a factor in the two previous periods compared with today's gouging rates. The "little investor" who paid almost no taxes at all in those faraway years now gets taken for from one-fifth to one-third of his dividend income; the "big fellow" may have less than one-fifth of his dividend check to spend after he has given Uncle Sam his cut.

But let us assume that stocks are not bought necessarily for income but for capital gain, or as inflation hedges — how does the market look on that basis? It still looks statistically cheap. The price of autos has doubled since 1937, as have prices of most other things you buy. But, if we think the Dow Industrials are high now around 265, we should recognize that they sold at 200 in 1937. If they had simply kept pace with the general inflation since then, they might be expected to sell above 400 in a comparable period of enthusiasm. Furthermore, the Dow-Jones Averages do not tell the whole story. Today, more than two-thirds of all listed stocks are still selling below their 1946 highs. And the ratio of low-priced stocks to the general stock market is way below what it was in earlier periods of high stock prices.

The same story of relative statistical cheapness can be told for the comparison of today's stock market quotations with individual asset values. Prices are far lower in comparison with book values than they were in any recent bull markets. Furthermore, many stocks are selling in this market for less than the net additions to asset values that have been made in the few years since the end of World War II.

The Stock-Bond Price Spread

Finally, the bulls stress the following points: Stocks now yield two to three times the rate available on good bonds; money borrowed against stocks is negligible compared with previous bull market tops; projected defense spending "assures" a new business and inflation spurt this autumn, with attendant need to buy stocks to "protect" against inflation; with an election year coming up, the Administration will "spend and spend and spend to elect, elect, and elect"—thus keeping business booming.

The Bears Say—To the imposing array of statistical facts marshalled by the bulls, those bearish on the next few months merely say: "Statistics do not make market movements **over the near-term**—emotions do!" They stress the fact that current trends in earnings and dividends have a far more powerful effect on contemporary stock prices than comparisons of recent relationships with those that existed five, ten, or twenty years ago. Favorable stock yields, when set off against current bond yields, may look good, but a downswirl in corporate earnings could change the bright picture to an exceedingly drab one in the course of a very few weeks. And that is precisely what the bears expect.

Those who are doubtful of the market's ability to forge ahead in the next few weeks anticipate that corporate earning power will deteriorate further in the autumn months under the influence of higher taxes, higher labor and other costs, and lower demand for civilian goods. Although the projected increase in Federal corporation taxes may not be so large as President Truman originally requested, it is still a certainty that corporate taxes will again be upped. In the face of lagging consumer demand, it will not be possible to pass this increased cost along to the public in the shape of higher prices. With the government trumpeting from every rooftop about the coming further rise in the cost of living, and furthermore with its WSB tieing the wage policy to the cost of living, it seems pretty clear that wage demands and costs will be on the upgrade this autumn.

The bears are also impressed with the great size of inventories in consumer hands as well as in the various stages of production and distribution. They stress that it will take a big increase in money supplies to move the goods already piled up and that consumers will have to eat into their current post-Korean hoard before they will again be active buyers. Many consumers are so burdened with mortgage debt and monthly installment repayments that the expected upping of the national income by defense spending may be dissipated by being poured down the rat-holes of debt.

In a nutshell, those who expect the stock market to sell off sometime this autumn base their prediction upon the anticipation of shrinking corporate earnings and upon the failure of a new consumer buying wave to develop. They believe that sometime in the next four months a wave of disappointment will sweep over the stock market. The hopeful buyers of stocks at 21-year highs in late summer may become the disappointed sellers of stocks in the fall months.

Babson Says—We ourselves are impressed by the statistics marshalled by the bulls. We are even more impressed by the statistics that we have uncovered concerning certain individual selected common stocks. At the same time, we believe the bears are not too far wrong in anticipating that business and profits this autumn are likely to be less satisfactory than many of the optimists now predict. It is our conclusion that the forces making for a higher market are in pretty close balance with the forces making for lower prices. The stock market might advance another 10 points in the next few weeks, but, for the four-month period, we would be surprised if stock quotations **as a whole** should get very far away from present levels.

The Probable Stock Market Course

Our Advice — In advising investors for the next few months, we are mindful of the fact that we stand too close to the craggy peaks of a long and high boom to be giddily bullish. As a general plan, you should have a strong reserve position to fall back on if sudden international or national developments should tip the market over. But, at the same time, we realize that another sizable uptwist of inflation is not out of the question. Therefore, moderate holdings of selected common stocks are still very much in order.

But, What Stocks Should I Hold? Under the conditions that will exist over the next few months, as we visualize them, you should use utmost caution to weed out of your holdings overvalued stocks. Particularly, beware of holding or buying so-called "growth" stocks bought on hindsight! When a growth stock reaches the point where it yields 3% or less, it isn't anticipating further growth—it's anticipating eternity!

In making purchases for that part of your portfolio devoted to equities, concentrate on the following points: (1) Buy high (relative to price) asset and book values. (2) Buy good earnings coverage for fair current dividend yields (perhaps in a range from 5% to 8%). (3) Buy into essential industries that will be classed neither as all-out peace nor as "war babies." (4) Avoid too many holdings in companies with the bulk of their plant in the big bomb-vulnerable cities.

Type of Issues to Select

In a nutshell, your success as an investor in the months ahead will not hinge so much on what the stock market as a whole does, but it will depend upon the type of issues you may select and own. We look for no great crash in stocks between now and the New Year, nor do we see any wild runaway market on the upside. And, as we say this, we are ever mindful of the indisputable fact that Big Joe in the Kremlin is still calling the tune for the Western world, including the U. S. A. So long as this condition obtains, the wise investor will hold a good portion of his list in sound reserve-type commitments such as short governments, savings bonds, savings bank deposits, and other similar safe spots.

Securities Salesman's Corner

By JOHN DUTTON

Here is an idea that may come in handy some day when you are in an interview and you need something out of the ordinary to prove a point. I got it from a salesman of life insurance, but it seems to me that if presented at the right time it could be effectively used in selling any conservative program of investments, Mutual Fund Shares; or when you may be trying to show the value of a sound, long-term investment plan.

Every interview is different, and it is advisable to use such material as we have here with discrimination. One of the main purposes of a "stopper" such as this is to gain attention and actually shock a person into seeing something that was not apparent to him before. When we are selling "ideas" the proper use of dramatic material can be very helpful. Assuming you are talking with a person who is somewhat opinionated—who believes that he can beat the market; that short swings are the best bets; that he is pretty good as a speculator. They say, "Don't win arguments, you get paid for making sales." Sometimes, however, you may be able to plant a seed—show this one to such a man; don't overdo it. It may get him around to your kind of thinking, if not immediately then, possibly later. Here's the "stopper" in question.

In 1923 a very important meeting was held at the Edgewater Beach Hotel in Chicago. Attending this meeting were ten of the world's most successful financiers. Present were:

(1) The President of the largest independent steel company.

(2) The President of one of the nation's largest banks.

(3) The President of the largest utility.

(4) The President of the largest gas company.

(5) The greatest wheat speculator.

(6) The President of the New York Stock Exchange.

(7) A member of the President's cabinet.

(8) The greatest bear in Wall Street.

(9) Head of the world's greatest monopoly.

(10) President of the Bank for International Settlements.

25 Years Later

(1) Charles Schwab died bankrupt, lived five years on borrowed money.

(2) ------------------------

(3) Samuel Insul died a fugitive in a foreign land.

(4) Howard Hopson died, was in a mental institution.

(5) Arthur Cutten died abroad, insolvent.

(6) ------------------------

(7) Albert Fall was pardoned in prison so he could die at home.

(8) Jesse Livermore died a suicide.

(9) Ivar Kruger died a suicide.

(10) Leon Fraser died a suicide.

Note: Most people who are in the investment business know the man to whom referred to in number six, but I have refrained from using his name here. Number two is the only one of this group who did not lose all.

The Moral

There is no substitute for work. All of these men were geniuses in the field of speculation, and no doubt worked harder at their job than most people ever thought of doing. I remember knowing of one man who back in the '20's was associated with one of the foregoing men, and he told me that often they would sit up all night long figuring out transactions and deals. The only time they would stop would be for coffee which this man drank by the pot full. Yet, with all of their effort, and great genius of their own, they found that the field of speculation ended in failure and frustration. Some few men become successful speculators and a very small minority reach the goal they are seeking; the rest find out *after it is too late* that the road to financial success is based upon sound and conservative principles.

McCleary Acquires Florida Secs. Co.

ST. PETERSBURG, Fla.—George M. McCleary, one of the founders of the Florida Securities Co., Florida National Bank Building, has acquired control of the company and will operate it as a sole proprietorship. The company will continue to conduct the same type of business as in the past but an expansion of the firm's activities is planned.

George M. McCleary

Joseph R. Barrett and Harold D. Wiggin, former partners in the firm, will continue in the sales department. J. Herbert Evans is Manager of the municipal bond department; J. Curtis Merkel, Manager of the mutual fund department, and Mr. McCleary Manager of the corporate department. Joseph D. Euler is also associated with the firm.

Mr. McCleary is also President of U. S. Airlines, Inc. and a Director of Glasgo Finishing Company of Connecticut, Florida Telephone Corporation, and Southern Gas and Electric Company. He is a member of the Florida Security Dealers Association and of the National Security Traders Association.

Continued from first page

As We See It

Those who, like the Kremlin, make a specialty of fishing in troubled waters, are of course thus afforded an excellent opening for stirring up prejudice and passion. Of course, it does not lie in the mouths of the Russians to shout diatribes. The Russian nation ever since it was a nation has been definitely and aggressively imperialistic, and, while the rulers at Moscow would like to have the world believe otherwise, the fact is that never have those who governed Russian policy been so aggressively imperialistic as the Kremlin is today. But basic facts such as these are rather easily overlooked, and are all too often overlooked in the maze of propaganda and counter propaganda.

Vulnerable to Propaganda

As to our own position, we are definitely vulnerable —at least in popular debates. If one is to overlook the manner in which the territory now constituting the Continental United States was acquired, we have, with a few exceptions here and there, never been aggressively imperialistic. Our history in this respect is much freer of grounds for criticism than that of any of the first class, or even most of the second class powers of this day and generation. Our record may be regarded as virtually, if not fully, unique in these matters.

But, unfortunately, the matter can not well be left to rest there. In recent years much of our international behavior has been patterned after that of the imperialist nations of days gone by, or at least it has enough of that appearance to render it easy to understand how many peoples with centuries of bitter experience might well be inclined to view our protestations of disinterest in conquest with considerable suspicion. Similarly, it is not difficult to find a reason for such success as has attended the activity of those who would arouse suspicions in the minds of the peoples of many colonial areas. Let us for a moment make an effort to see ourselves as "ithers see us," or as certain others must see us. Let us look toward this land of ours from Peiping, from New Delhi, from Indonesia, or from a dozen other vantage points where the view must seem to be about the same, and, yes, even from France, Belgium, Denmark, or Britain. The panorama is not quite the same from all these points. Indeed, it probably is rather strikingly different in some respects.

Basic Facts

There are, however, certain basic facts which, in most instances, must definitely color if they do not dominate the scene. First of all, here we are with an industrial potential which simply staggers the imagination of the remainder of the world. Here we are with a navy, which despite the fact that much of it is in moth balls, is still very much larger and more powerful than all the other navies of the world put together. Here we are with a stockpile of atom bombs which must be many times that of all the rest of the world added together. Here we are with probably by far the largest force of long range heavy bombers in all the world. Here we are able to reach—if current reports are true—into virtually any part of the globe with punishing force overnight.

We insist upon and have now in operation bases, naval and air, in Europe, in Asia, in Africa and virtually all over the Pacific and the Atlantic. We go to the very shores of the mainland of Asia at many points—and of course are at the moment on the mainland of Asia in force. We are concluding a treaty with Japan—no one supposes that the goings on at San Francisco are to be other than a staged affair — which is designed to strengthen us through the Far East, and if possible to make an ally of Japan—Japan which in recent decades has been the main aggressor of Asia against Asians. As against our recent "liberation" of the Philippines may be set our rigid and somewhat aggressive opposition to the Communist regime in China long before the outbreak in Korea.

To Europeans who have long been accustomed to leading roles in world affairs, and who are still rather disposed to regard this nation as inexperienced, rash and uncouth in international diplomacy, we stand out as plainly determined to play a leading if not a dominant role throughout the non-Communist world. Precisely how far we should in this or that set of circumstances be prepared to go to have our way, is, of course, not easily foreseen. It can therefore be understood how even Europe feels a little uneasy when faced with this giant of the West. The Kremlin is, accordingly, not without arguments which could be made to appeal even to Europe.

How It Looks to Others

This is, of course, not to condemn all that we have been doing in international affairs in the past two or three decades, although candor compels the admission that we are very doubtful about the wisdom of much of it. We are now merely trying to see what we must look like to the outside world. We are, of course, well aware that Russia, the historical imperialist, can easily be convicted not only of the appearance of imperialism in this day and time, but of imperialism itself. It can easily be said that if Russia is Asian, and thus that her activities in Asia do not come in conflict with the slogan Asia for the Asians, then it must be asked if Russia can wholly escape a corresponding slogan — Europe, not for the Asians but for the Europeans — or must the Kremlin be regarded as *sui generis?*

We naturally know well enough the arguments which can be offered in support of our general world policies—we have heard them often enough.

But is it not wise, once in a while, to consider how all this looks to the rest of the world?

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The Problems of Maintaining Mutual Security

now being used to produce goods for export will have to be converted to the production of military goods—for example, the use of automobile plants to produce military vehicles. But it is important, in the larger strategy of sustaining the economic health of Europe, to hold to a minimum the curtailment of European exports. There is great danger that the export markets which Western Europe lost during the last war, and slowly and painfully regained from 1946 to 1950, might be lost again. The prospect of a Western Europe able to support itself by two-way trade in the world economy might again become as remote as it seemed in 1946. If this happens, one of the most important achievements of the Marshall Plan period will have been nullified. Accordingly, the United States should urge the European governments to take the steps necessary to sustain exports and should administer and allocate U. S. aid so as to encourage such a policy.

Cuts in consumption could also release resources for rearmament, but it would be perilous to ignore the fact that there exists little margin for curtailing European consumption without inviting social unrest and mounting internal political tension. The people of Western Europe have been on short rations for a decade. The courage and spirit of many Europeans have been sustained in the difficult years since the war by the hope for a better future. To replace this hope with a call for severe belt-tightening raises the danger of opening a political breach as wide as the military breach which this policy is designed to close.

It may well be that a modest and temporary reduction in consumption standards is unavoidable. How such cuts will affect morale, however, will depend to an important extent on whether or not the burden is shared equitably by different groups in the population. If the curtailment of consumption is enforced by inflation, or by increasing already excessive sales taxes and other indirect taxes, a disproportionate share of the burden will fall on the lower income groups. The adoption of equitable taxation policies by the European governments can do much to minimize the harmful morale effects of consumption cuts.

Improvements in the efficiency of governmental administration and elimination of non-essential activities would make possible significant reductions in the non-military expenditures of the continental governments without impairing necessary public services. Such reductions can and should be made, and the United States should use its influence to encourage administrative reforms.

Domestic and foreign investment would be the area in which the deepest cuts could safely be made if the objective were to achieve a maximum of military power in anticipation of an inevitable and imminent war. Such a policy might be disastrous, however, if the present crisis should develop into a long armed alert. The failure to maintain a moderate rate of capital formation over the years ahead would dash the hopes of the people of Western Europe for a gradual improvement in their condition of life and would dangerously weaken European morale.

Western Economies Must Not Stagnate

The Western European countries cannot allow their economies to stagnate as the price of a rapid military buildup. They must maintain a moderate and steady rate of growth in their industrial and agricultural productivity. However, since the Marshall Plan made it possible for some of the European countries to maintain an unusually high rate of capital formation, it would appear that some selective reductions in investment could be made without seriously adverse effects. Some pruning could be made in the area of retail and wholesale trade, in road building and similar types of public investment and in other areas not directly related to industrial and agricultural production.

We conclude, then, that the resources for European rearmament should come to the maximum extent possible from increased output—and the possibilities here are substantial. They should come from reduced exports only to the extent that a reduction in exports is unavoidable, from reduced consumption only to a minor extent, from governmental economies to the extent possible, and from selective cuts in investments designed to release some resources from this area without impeding fundamental economic growth.

Europe Needs Substantial Military and Economic Aid

These considerations clearly point to the need for substantial military and economic aid to the continental countries. Without access to military plans and estimates, it is not possible to say what contributions in military equipment, in forces, and in economic assistance are necessary; but certain qualitative conclusions are reasonably clear:

(1) The continental countries can be expected to contribute a very large proportion of the manpower requirements of Western European defense; but a large part, perhaps the major part, of the equipment requirements must be supplied by the U. S. and Great Britain.

(2) For the near future, the rearmament effort of the continental countries will not have reached the point where it increases very significantly their immediate ability to repel aggression. Accordingly, it is during this period of one to two years ahead that the presence in or immediate availability to Europe of American and British divisions and air groups is most important.

(3) The position of Great Britain must be distinguished from that of the continental countries on a number of grounds: the substantially higher real per capita income of Britain; its economic recovery, which made possible the suspension of Marshall Plan aid in December, 1950; the strength which Britain derives from her position as center of the sterling area; and, most important of all, the high level of national cohesion and the comparative stability of governmental authority which exists in Britain. For these reasons we can fairly expect from the British for the time being a military effort substantially larger in relation to their resources than in the case of the continental countries. Britain's present military program is in fact larger relative to her national income than the likely maximum military effort which the continental countries can achieve.

(4) The continental countries will need general economic aid from the U. S., Britain and the British Commonwealth of Nations in addition to the projected transfers of arms and military equipment. In view of the sharp increases in the prices of food and raw material imports, and the likely effect of European rearmament on import needs and export availabilities, the continental dollar deficit seems likely to increase again. Moreover, the effect of the rearmament boom on prices in the sterling area has created a very large sterling deficit for the continental countries. Since their sterling imports are to a large extent essential materials and foodstuffs which cannot be foregone, these countries will also need special sterling assistance.

(5) It is not possible, on the basis of the data available to us, to make an estimate of the cost to the United States of military and economic aid to Western Europe on a scale consistent with the considerations advanced in this policy statement. The Administration program of aid to Europe, both military and economic, totals nearly $7 billion for the present fiscal year. This is a substantial sum which should have the most careful scrutiny before funds are voted. We do not have the information needed to enable us to judge whether the total amount requested is necessary. If, on the basis of detailed data submitted to your Committee, the full amount is justified, the cost is one which, in view of the incalculable consequences of failure, the United States should be prepared to assume.

The major question concerning the content of U. S. aid to Euro-

pean rearmament is the extent to which it should be provided in the form of military equipment ("end-item aid") and in the form of civilian goods or services or free dollars ("economic aid").

There appears to be a widespread confusion over this question which manifests itself in a tendency to exaggerate the importance of the choice between end-item aid and economic aid. It is erroneous to regard end-item aid as facilitating the realization only of military objectives and economic aid as contributing only to non-military objectives. Actually, as a matter of principle, once the detailed targets of European rearmament are set, these targets could be reached by either of these roads. Thus, if all aid were given in the form of military end-items, it would be possible to concentrate European industry and labor more heavily on export, closing the balance of payments deficit and making economic aid unnecessary. Conversely, if only economic aid were given, the European countries could divert facilities and manpower from production for export and domestic consumption to produce their own military equipment; the balance of payments deficit resulting from the necessary increase in imports of consumer goods and reduced exports would be covered by the economic aid. Thus in either case, U. S. aid would contribute to the realization of military objectives.

In practice, aid should be given in both forms. It will probably prove expedient to give most of the aid in the form of major military end-items, such as aircraft, tanks, artillery, and the more complex forms of signal equipment, while the continental countries concentrate on the production of other vehicles, of the smaller and simpler ordnance items, and on the general support of NATO forces stationed in Europe. But modifications of the program will have to be made as the situation changes and some provision for administrative flexibility in shifting funds from one category to the other would appear to be desirable. To make a rigid legislative allocation of funds between the two categories would rule out the possibility of adjusting the form of aid in particular situations in order to achieve maximum efficiency in the combined military production programs.

As concerns the administration of U. S. aid to European rearmament, the most important consideration is the conception and the purpose with which it is carried out. If it is handled passively, simply as a problem of transferring resources to Europe, it will accomplish only a small part of its potential. Only if it is used as a means of effecting a coordination of military effort and economic policy among the NATO governments can we hope for results in Europe commensurate with our economic sacrifices and those of the Europeans. This problem of conception and purpose is central; the forms and techniques of administration should serve that end.

Authority for the administration of aid should be centralized as much as possible, both in Washington and in Europe. Economic aid should be administered as at present by the ECA or by whatever new foreign economic operations agency may be established. This agency should act as claimant agency for foreign requirements, and consideration should be given to vesting in this agency authority to administer U. S. export controls and to procure from abroad materials in short supply. Close coordination of the administration of economic and military aid is essential to an effective foreign-aid program.

Program Must Be One That Can Be Sustained Indefinitely

The rearmament of Western Europe poses issues of a degree of difficulty and complexity such as the United States has seldom had to face in its foreign relations. Whether the cold war will last for two years or 20, no one can foretell. Whether Soviet pressure against Western Europe will next take the form of military attack, diplomatic offensive designed to split the Western Alliance, or fifth-column subversion based on internal political and economic weakness, is equally uncertain. Confronted by these crucial imponderables, our task becomes nothing less than that of organizing a program of mutual defense which we and our allies can sustain indefinitely, and which is capable of deterring or repelling a Soviet thrust in whatever arena the Soviets may choose By demonstrating to the Russians the futility of further efforts to bring Western Europe under Soviet control, we would hope thereby to lay the basis for a durable negotiated settlement with the Soviet Union. This task will challenge to the limit the stability, the wisdom, and the skill of our foreign policy, and thereby the moral resources and the basic maturity of the American people.

Our participation in the European security program must be sustained and unwavering. The rearmament effort of the continental countries will be weakened by timidity and hesitancy so long as they doubt the steadfastness of purpose of the United States and fear that some future reversal of U. S. policy may leave them to face the Red Army alone across a few hundred miles of German plain. To dispel this fear, our every official act and utterance should reflect our determination to share in the defense of Western Europe until the Soviet threat to the freedom of that region is abated.

The common goal in Western Europe must be seen as balanced security — not as rearmament alone. Our strategy in Western Europe will be dangerously defective unless it is squarely based on the recognition that the Soviet threat is not just military aggression, or diplomatic maneuver, or internal subversion, but any of these alone or in combination. Consequently, the security of Western Europe requires that her defenses be strengthened against all the weapons of Soviety imperialism. The pursuit of this objective will necessitate continual compromise between greater armed strength on the one hand and economic well-being and advancement on the other. Decisions will have to be made day by day as to whether the cause of European security would be strengthened by the establishment, for example, of another infantry division at the cost of a further reduction in industrial investment. Such questions cannot be answered conclusively, and they may be answered wrong. But it is a matter of the highest importance that such questions be asked, and that the direction of the rearmament program be so organized as to assure that they will be asked; for the security of Western Europe must be understood as resting upon the condition of life of the people of that region, on their hope for a better future, and on the social and political unity of their countries—as well as on their armed might.

Not Altogether Worthy

"We speak of morality in government, and some of our opponents are uttering anathema against the present Administration on the grounds that it has permitted morality in the Government to decline.

Alben W. Barkley

"I do not condone wrongdoing at any level in the Government of our country though that level be national, State or local. I have spent most of my life combating public immorality and seeking to punish it wherever it lifts its hideous head. But no party has, or ever has had, a monopoly on virtue or vice, and without in the slightest degree condoning any major or petty exhibitions of public immorality, it might be well for our people to recall when the Republican party was last in power it brought about an era of corruption and misconduct in high office which shook the very foundation of our society and of our political institutions.

"Men and women who had served our country in a great war were robbed of their just compensation. The Veterans Administration became a seething cauldron of theft and bribery and corruption. Vast reserves of mineral resources including oil and other deposits were given away for a price, and Cabinet members were indicted and tried, and other high officers were convicted and sentenced to the penitentiary on account of the magnitude of their offenses.

"Which proves that no political party has a monopoly on vice or virtue, and it is nothing short of laughable to see men gag and grimace over petty, though inexcusable and reprehensible exhibitions of dishonesty, swallow the Teapot Dome without batting an eye or twitching a muscle."—Vice President Alben W. Barkley.

The Vice President is, of course, right when he says no party has a monopoly on vice, but we know of no one who would "swallow Teapot Dome" either with or without batting an eye. Neither do we find this sort of statement worthy of one so highly placed.

Public Utility Securities

By OWEN ELY

Utah Power & Light Co.

Utah Power & Light serves an area of some 20,000 square miles with a population of about 648,000, extending south from Ashton, Idaho to the center and southeastern border of Utah, a distance of about 400 miles. The company also controls the Western Colorado Power Company, which serves about 3,000 square miles in Colorado. The business is practically all electric (about 1% of revenues are obtained from steam heating).

The two companies furnish electricity at retail to some 359 communities, and to 29 communities at wholesale, the principal cities served being Salt Lake City and Ogden. The most important industry in the area is the mining and smelting of non-ferrous metals (copper, lead, zinc and silver). Other enterprises include coal mining, cement plants, packing houses, railroads, an interurban railway, a steel mill, sugar mills, flour mills, oil refineries and irrigation systems. In 1950 only about 6% of total revenues were derived from metal mining and smelting customers (no net revenues being obtained from Utah Copper or Kennecott Copper).

Consolidated electric operating revenues of Utah and its Colorado subsidiary for the 12 months ended July 31, 1951 were $22.6 million. Revenues are obtained approximately as follows: 42% from residential and farm customers, 22% from commercial, 26% from industrial customers, and 10% from public utilities, municipalities and other wholesale customers. The company is a pioneer among the nation's utilities in the development of rural electrification and has made electricity available to 97% of the farms in its service area.

Utah Power is currently producing about three-quarters of its electric energy requirements, the remainder being purchased principally from Idaho Power, Montana Power, Geneva Steel and Kennecott Copper Corporation. The Colorado subsidiary generates practically all of its energy requirements. The two companies operate a large number of hydro-electric generating stations with a total installed capacity of 190,000 KW, 13 steam units with a capacity of 183,000 KW, and several small diesel units. Of the larger steam units, two are modern—a 44,000 KW unit installed in 1950 and a 66,000 KW unit which was recently placed in service. Other important steam units were installed in 1936 and 1925.

The company has built 45 miles of 130,000 volt transmission lines and, with Idaho Power Co., will serve the Atomic Energy Commission project near Arco, Idaho.

The company has had an interesting post-war record, being perhaps the only utility which has increased the dividend payments on its common stock each year:

Common Stock Record

Year	Share Earnings	Dividends	Approx. Price Range
1951	----	$1.80*	29-26**
1950	$2.75	1.75	28-22
1949	2.31	1.60	25-21
1948	2.54	1.45	23-20
1947	2.44	1.25	23-21
1946	2.22	1.20	25-20

*Current Rate. **To Aug. 24.

The latest interim earnings report, for the 12 months ended July 31, 1951, shows earnings of $2.71 on the 1,500,000 shares now outstanding, a decrease of 14c as compared with the previous period. While revenues gained 11%, this increase was more than absorbed by a 44% jump in Federal income taxes, a 16% increase in fixed charges, etc. The present dividend rate reflects a payout of about 67% of the current earnings.

Based on the Dec. 31, 1950 balance sheet, the capital set-up was 60% debt and 40% common stock; elimination of plant acquisition adjustments would have reduced the common stock equity to 38%.

The company is planning, in the next few weeks, to sell $9 million first mortgage bonds due 1981 and 175,000 shares of common stock. After allowance for surplus earnings in 1951, it seems probable that this pending financing will not change the capital ratios materially.

The common stock was transferred from the New York Curb Exchange to the Stock Exchange last year. It is currently selling around 28½ to yield 6.3%.

Joseph R. Corbus With Brown Bros. Harriman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Joseph R. Corbus has become associated with Brown Brothers Harriman & Co., 135 South La Salle Street. He was formerly Manager of the trading department of Julien Collins & Co.

Joins A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Robert C. Caswell has become associated with A. M. Kidder & Co., Ft. Lauderdale National Bank Building. Mr. Caswell was previously with Francis I. duPont & Co. and Daniel F. Rice & Co. in Florida. In the past he was with Caswell & Co. in Chicago.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The familiar averages have again made new highs during the past week; at least the industrials have. The rails are still dogging it. Here and there various stocks are acting okay though at the same time other stocks are doing nothing to make their owners sit up and cheer.

* * *

In short, it's another market; some go up and some go down. My mail is full of prognostications, and the financial sections of the newspapers equally full of teaser ads promising to tell how the market will behave, for a small sum.

* * *

For the past two weeks I've been suggesting caution. So far this position hasn't proved to be a particularly brilliant or remunerative one. The disparity between individual stocks continues, with the war babies showing the best action. The reason for this is too obvious to belabor the point.

* * *

But what, perhaps, isn't too obvious is that the general consensus of opinion is that because the market has resisted bad news it has proved that it will continue invulnerable to continued bad news. Perhaps the phrase, "bad news" requires a definition. That too, however, is open to personal interpretation. Would a legitimate armistice in Korea be good news? Would it be bad?

* * *

The market says that the present "cease fire talks" will not lead to any armistice. It says it through the action of such groups as the steels, the coppers, aircraft equipment and some of the oils. You are currently seeing it in the action of General Electric, Mullins Manufacturing, Ludlum and Electric Boat.

The feeling therefore is that because the market has been able to resist bad news, it will continue to do so. A bulwarking argument is that good news is immediately reflected in the improved action of stocks.

* * *

I mistrust these arguments and the current news picture. Should something happen I think a market heavily laden with longs, many of them in to protect themselves against inflation, will prove extremely vulnerable, even if such vulnerability proves temporary. This market has yet to withstand a major withdrawal by the public. The argument that most longs are virtually on a cash position doesn't impress me.

* * *

There's the pessimistic side. The other side is part of a major war drive that can rocket some of these stocks to levels that are scarcely believable. So here it is. Maybe you can make something out of it.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert M. Charlson is now with Renyx, Field & Co., Inc.

Gordon Graves Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Richard A. Inman has been added to the staff of Gordon Graves & Co., Shoreland Building.

John L. Ahbe Adds

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—Robert A. Dahn is now connected with John L. Ahbe & Co., 268 South County Road.

Two With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

VENTURA, Calif. — Harold S. Anderson and H. Gould Dennison have become associated with Dean Witter & Co., 435 East Main St. Both were formerly with Barbour, Smith & Co., Mr. Anderson being manager of that firm's Ventura office.

Continued from page 2

The Security I Like Best

Productions stock and $250,000 of the 4% debentures on Dec. 31, 1950. Television-Electronics Fund, Inc., reported holding 6,500 shares of Disney common as of April 30, 1951.

Earnings

YEARS ENDED APPROXIMATELY SEPT. 30

(000's omitted)

Year	Film Rental Income Shorts	Film Rental Income Features	Other	Gross Income	Amortization of Picture Costs	Net Income	*Earned Per Share
1950	$1,352	$4,021	$1,922	$7,294	$4,794	$717	$1.10
1949	1,478	2,917	1,290	5,685	4,628	†94	Nil
1948	1,182	2,567	1,190	4,940	3,655	†39	Nil
1947	1,388	3,975	1,256	6,620	4,615	307	.47
1946	969	1,597	1,582	4,098	2,650	200	.31

*Based on present capitalization. †Deficit.

It is interesting to note that of 1950's gross of $7,293,849, $5,042,405 was taken in in the last six months. Net in the first six months was only $75,905, or 12 cents per share, while in the last half net was $641,637, or 98 cents per share. Last six months were heavily affected by income from "Cinderella." Short-term results are frequently distorted by the timing of feature releases.

It is also interesting to note that in the past eight years amortization of picture costs and costs applicable to other income amounted to $32,174,952, or $49.28 per common share. This, on inventories of completed productions, and story rights, film stock, supplies, etc., and productions in process, which on Sept. 30, 1950, were carried at $7,913,588.

In the 26 weeks ended March 31, 1951, total income was $2,357,845 as against $2,251,444 in the 26 weeks ended April 1, 1950. Net income for the 1951 period was $20,914, or 30 cents per share, as compared with $75,905, or 10 cents per share in the 1950 period.

Financial Position

Balance sheet on Sept. 30, 1950, showed the company to be in good financial condition.

Working capital amounted to $5,247,751, the ratio of current assets to current liabilities being 2½ to 1.

Book value of the common stock was $8.29 per share, but valuing the film library at amortized cost, before special reserve, and property at cost, before depreciation of $2,763,258, net asset value would have been $14.06 per common share.

Conclusion

In addition to the tremendous possibilities for profit from future connection with television, Walt Disney's common stock appears to be in good position for other reasons.

The outlook for the motion picture industry is improving. Theatre attendance is rising due to the high level of national income, full employment and the increase in personnel in the armed services.

Earnings from foreign business, which in Disney's case can account for 30% or more of film rentals, have been restricted by exchange controls. These should be eased or removed as a result of extensive improvement of the dollar reserve position of European nations. Success has been achieved in converting foreign currencies to dollars. Partly responsible has been the utilization of blocked sterling for the production of "Treasure Island."

In my opinion, Walt Disney Productions stock is a most attractive speculation in both the motion picture and television fields, with great possibilities for sizable capital gains.

HOWARD MORRIS

Partner, Glidden, Morris & Co., Members, New York Stock Exchange

Nashville, Chattanooga & St. Louis R. R. Common Stock

Personally I think Nashville, Chattanooga & St. Louis common stock is an exceptional bargain. This road runs east from Memphis to Nashville, thence southeast to Chattanooga and south to Atlanta.

Howard Morris

There are 256,000 shares of stock, of which, at last reports, Louisville & Nashville R. R. owned about 75%. I think they have bought more in the last few months. At last reports there were only 65,000 shares in the market.

The road earned about $16 a share last year and is currently paying $4 a share. It is in splendid shape and on the way to becoming completely dieselized. The gross earnings are about $36,000,000 a year. The transportation ratio is 35.4% and with completely dieselized operation could be not more than 30%. This would make a difference of $1,750,000 a year, or over $7 additional on the stock, bringing earnings to over $22 a share.

It is incredible that the $4 dividend should be continued. It looks to me like a $6 or even an $8 dividend in the offing. The current position is excellent with current assets (cash, etc.) of $17,400,000 and current liabilities of $7,300,000—a net current position of $10,000,000, or $40 a share, without regard to the physical property carried in the books at $93,000,000 less depreciation of about $22,000,000—or a net of $71,000,000. There are $25,000,000 bonds outstanding, leaving about $46,000,000 for the stock—or about $160 a share. This totals to a value of about $200 per share for the stock.

Now it seems to me that the L. & N., a rich and powerful railroad already owning 75% of the stock, will do one of two things, i. e.:

(1) Buy in the minority interest.

(2) Lease the road on terms acceptable to the minority stockholders.

With present earnings of $16 a share and potential earnings of $21 a share, it would be my guess that the minimum demand of the minority stockholders would be $6 a share with a possibility of $8 a share. The L. & N. could easily guarantee either one.

L.& N. controls Carolina, Clinchfield & Ohio and together with Atlantic Coast Line guarantees 5% dividends on the stock. L. & N. is controlled by Coast Line and as Coast Line dividends have for many years been paid out of L. & N. dividends received by Coast Line, the additional guarantee of Coast Line doesn't improve very much the L. & N. guarantee.

Carolina, Clinchfield & Ohio stock sells at 108. A 6% guaranteed dividend would be worth about 130. An 8% dividend would be worth about 170. My idea is that the ultimate value of Nashville stock, no matter what road L. & N. takes, will be between 130 and 170.

At a recent meeting of the Security Analysts of New York, the President of the L. & N. was present as guest speaker. He was asked what would be done with Nashville, Chattanooga, and he replied, "Of course we will merge the two roads. We are waiting for completion of a new terminal in a city where at present both roads have separate terminals."

Nashville stock can be bought at about 65. It sold at 64½ on Aug. 27th.

BERKELEY WILLIAMS

Richmond, Virginia

Lawyers Title Insurance

Little more than 26 years ago a group of young lawyers in Richmond, with more foresight and ambition than clients, obtained a charter for Lawyers Title Insurance Co., rented three small rooms on the third floor of a small building and commenced to furnish title service and title insurance. From such modest beginning has been created an organization doing business in 32 states, the District of Columbia and Puerto Rico.

Berkeley Williams

Such sensational and spectacular growth has been achieved by conservative, progressive policies, intelligent management and prompt and efficient service.

It has grown to be the largest, strongest and best known title insurance company in the Union, engaged exclusively in the title insurance business. It insures titles for more nationally known commercial and industrial institutions, for more insurance companies, more banks, more mortgage houses and lawyers than any other title insurance company in this country.

Under its plan, or system, policies are issued at the corporation's home office or one of its branch offices or by authorized issuing agents, based upon examinations and opinions of "approved attorneys" practicing in the localities of the properties involved; all of the attorneys having been investigated and approved as to character and ability.

Due to the sound, progressive and intelligent underwriting practices of the company, its losses have been moderate; nevertheless, reserves have been built up, according to last published balance sheet, of $3,102,057.25. The corporation has never borrowed a dollar nor owed a dollar except for current purchases and operations.

It has never assumed any liabilities except under its title policies, for which legal reserves are set up and additional policy reserves maintained for the further protection of policy holders.

On July 20 Lawyers Title joined the procession of companies going schizophrenic by voting to split its stock, but didn't get violent and split like Allied Chemical 4 for 1, or Singer 5 for 1, but modestly 2 for 1; just enough to broaden its market and expand the number of stockholders a bit.

The old original, orthodox and time-honored method was resorted to of reducing par value from $10 to $5. One $10 par is now being exchanged for two $5 shares. Therefore, in place of 270,000 there will be 540,000 shares outstanding. Authorized, 1,000,000 shares. Only one class. While the corporation has ad-

vised its stockholders "it is not contemplated that capital stock to full extent authorized will be issued at any early time," it simultaneously announced that "due consideration will be given as conditions and outlook seem to warrant to an increase in outstanding capital consistent with the growth of the corporation." In other words, the company's business being what it is, over the hump and growing so fast, there is reason to expect another split in the not too distant future.

Unless all signs fail, the company will have no difficulty in earning satisfactory dividends on a considerably larger number of shares.

Held largely in Richmond, the stock is a "sleeper."

For a growth, care-free, well seasoned and dependable stock, it is a No. 1 choice.

Spencer Chemical Stk. Offering Underwritten

Spencer Chemical Co. is offering to holders of its common stock rights to subscribe at $50 per share to 125,000 shares of new 4.50% cumulative second preferred stock, par value $50, at the rate of one share for each eight shares of common stock held of record at the close of business on Aug. 27, 1951. The subscription offer will expire at 3 p.m. (EDT) on Sept. 11, 1951. The offering is being underwritten by Morgan Stanley & Co. and Glore, Forgan & Co. and associated underwriters, who have agreed to purchase from the company at the subscription price any of the shares not subscribed for through exercise of rights.

The new second preferred stock is convertible prior to Sept. 15, 1961, into common stock at the rate of one share of common for each share of second preferred.

Spencer Chemical Co. will use the proceeds of the sale together with $5,100,000 of funds made available in connection with the issuance of new funded debt to pay a substantial portion of the cost of constructing a new chemical works near Vicksburg, Miss. This plant, whose total cost based on preliminary estimates is expected by the company to be approximately $14,000,000 will have a designated capacity to produce annually 72,000 tons of synthetic anhydrous ammonia, using natural gas as a raw material.

The company is one of the major producers of ammonia and an important producer of methanol. Other products of the company include formaldehyde, ammonium nitrate solution, nitric acid, ammoniating solutions and ammonium nitrate fertilizer. It is believed that the company is the second largest private producer of synthetic nitrogen in the United States.

The company's largest plant is the Jayhawk Works at Pittsburg, Kansas. Other plants are located at Henderson, Ky.; Charleston, Ind., and Calumet City, Ill.

For the fiscal year ended June 30, 1951, the company's consolidated net sales were $23,735,518 and consolidated net income was $4,562,064.

The new second preferred stock is subject to redemption at $51.50 per share if redeemed on or before Sept. 15, 1956, and thereafter at $51 per share. It is also redeemable through the operation of a sinking fund at $50 per share. Upon completion of the financing, the company will have outstanding $15,000,000 of funded debt, 84,970 shares of 4.60% preferred stock of $100 par value, the 125,000 shares of new second preferred stock and 1,000,000 shares of common stock of $6 par value.

Continued from page 5

The State of Trade and Industry

trial production last month fell to 213% of the 1935-1939 average. This compared with 222% in June and 196% in July, 1950.

August output, however, will in general be above the July level, but still somewhat under the average for the first six months of the year.

Reporting that living costs on July 15 were the highest in history, but have eased since then, the Bureau of Labor Statistics reported last week that its index of consumer prices set a new record in mid-July at 185.5% of the 1935-1939 average. This was 0.2% above the June 15 level.

The chief causes of the rise were higher prices for food and rents. Each of these gained 0.4% over mid-June. However, the Bureau noted that retail food prices declined about 1% during the last two weeks of July.

Steel Output Falls Below Rated Capacity for First Time In Six-Month Period

Change of the Controlled Materials Plan into a more workable form is proving painful to the steel industry and its customers, according to "The Iron Age," national metalworking weekly. Although the recent revision in CMP regulations permitting restoration of historic customer relationships should permit smoother steel distribution in the first quarter of 1952, its immediate result is the opposite, this trade paper asserts.

November and December promise confusion compounded. Frustrated steel buyers are flocking back to their regular mill suppliers expecting preferential treatment on their unhonored CMP checks for the fourth quarter, but instead, are getting promises of help in the first quarter of next year.

The reason is that the National Production Authority did nothing about orders already on the books when it changed the rules, according to "The Iron Age."

By the first quarter, steelmakers expect to bring some order out of the chaos and the new setup will work about like this: (1) Direct defense orders come first. (2) Other orders from regular customers up to 90% of expected production will be booked. (3) Orders from new customers will be mailed back immediately to give them a chance to scramble for another source of supply. (4) Fifteen days before ordering time expires sales offices will revert to a first-come-first-served basis to allocate the remaining 10% of expected output.

This sounds tidy enough, this trade authority points out, but smooth operation of the system still depends on NPA not issuing more tickets for steel production than the supply warrants. Disappointed ticket holders will turn to Washington for help. If they have a good case they may get a directive to assure them steel. But if directives get too numerous—they are already mounting—the whole new system will collapse.

Currently, steel and related product prices are firm at ceiling levels. Delivered prices, however, will rise slightly after Aug. 28 to reflect the freight rate increase of 9% which goes into effect. Also, prices on imported steel are likely to advance in line with recent increases effected in British quotations.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 99.8% of capacity for the week beginning Aug. 27, 1951, or a decrease of 0.6 of a point from a week ago.

The current week will be the first in a period of 26 weeks when production failed to exceed 2,000,000 tons.

This week's operating rate is equivalent to 1,995,000 tons of steel ingots and castings for the entire industry, compared to 100.4%, or 2,007,000 tons a week ago, and 101.5%, or 2,029,000 tons a month ago. A year ago it stood at 97.1% of the old capacity and amounted to 1,872,800 tons.

Electric Output Dips From High Level of Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Aug. 25, 1951, was estimated at 7,076,534,000 kwh., according to the Edison Electric Institute.

Output in the latest reporting week receded from the peak level of 7,164,469,000 kwh. recorded in the preceding week.

The current total was 87,935,000 kwh. below that of the preceding week; 731,031,000 kwh., or 11.5% above the total output for the week ended Aug. 26, 1950, and 1,553,218,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Pick Up In Latest Recorded Week

Loading of revenue freight for the week ended Aug. 18, 1951, totaled 829,398 cars, according to the Association of American Railroads, representing an increase of 20,044 cars, or 2.5% above the preceding week.

The week's total represented a decrease of 21,842 cars, or 2.6% below the corresponding week in 1950, but an increase of 98,183 cars, or 13.4% above the comparable period of 1949.

Auto Output Soars to Highest Level in Seven Weeks

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," totaled 139,145 units, compared with the previous week's total of 129,661 (revised) units, and 179,042 units in the like week of 1950.

Output last week established the highest level in a seven-week period.

For the United States alone, total output advanced to 132,723 units from last week's revised total of 122,995 units. In the like week of last year output totaled 171,867 units. Canadian output in the week totaled 6,422 units compared with 6,666 units a week ago and 7,175 units in the corresponding 1950 week.

Total output for the current week was made up of 103,706 cars and 29,917 trucks built in the United States and a total of 4,322 cars and 2,100 trucks built in Canada. In the previous week, Canadian output totaled 4,554 cars and 2,112 trucks against 5,014 cars and 2,161 trucks in the like 1950 week.

Business Failures Turn Downward

Commercial and industrial failures declined to 130 in the week ended Aug. 23 from 158 in the preceding week, Dun & Bradstreet, Inc., discloses. Casualties declined moderately from 1950 and 1949 when 176 concerns failed in each year, and were down sharply, 51% from the 264 in the similar week of prewar 1939.

Wholesale Food Price Index Eases Further in Latest Week

There was a further slight easing in the general level of food prices last week. The wholesale food price index, compiled by Dun & Bradstreet, Inc., fell 1 cent to $6.93 on Aug. 21, from $6.94 a week earlier. This marked the second successive weekly decline and it narrowed the rate of gain over the corresponding 1950 figure of $6.56, to 5.6%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Strikes New Low In a Period of About Ten Months

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., declined slightly last week to reach a new low for almost 10 months. The index finished at 299.79 on Aug. 21, as against 300.79 in the preceding week, and 281.34 on the like date last year.

Grain markets at Chicago were mixed for the week with wheat and corn up slightly while oats and rye finished sharply lower.

The wheat market received support from export sales and reports of numerous export inquiries.

Corn displayed independent strength, aided by cool weather in parts of the belt, light country offerings, a firm cash market, and the prospect for only a small carryover, exclusive of government-owned stocks. Weakness in oats and rye was largely influenced by the publication of official Canadian crop estimates pointing to the prospect of bumper crops of those grains. Trading in grain futures increased moderately with sales totaling 169,889,000 bushels for the week, or a daily average of about 34,000,000 bushels, the latter comparing with 32,000,000 the previous week, and 28,000,000 in the corresponding week a year ago.

Flour prices were slightly easier. Domestic bookings showed no improvement in volume, but some replacement buying is looked for soon as both large and small bakers are said to be carrying very limited stocks. Raw sugar prices moved in a narrow range. Volume of trading in futures picked up in the latter part of the week and the market developed a somewhat firmer tone following the sharp declines of the past month.

Demand for refined sugar remained slow.

Coffee prices were stronger, aided by an improvement in demand for green coffee by roasters, smaller estimates of the Brazil crop, and the prospect of a price-support program in that country. After showing strength at mid-week, cocoa finished moderately lower as the result of profit-taking and scattered liquidation. Trading in lard was active and prices were firmly maintained. Storage stocks of lard in the United States as of the end of July were reported at less than half those of a year ago. Livestock markets at Chicago were irregular.

Cotton prices continued to hold in a narrow range with final quotations little changed from a week ago. Although dominated by the prospect of a big crop, the market responded favorably to reports of further deterioration of the crop in Texas and a revival of demand for cotton textiles after a period of extreme quietness since last May. Substantial quantities of printcloths sold for spot and nearby delivery at slightly higher prices than those prevailing until recently. Consumption of cotton for the July period, as estimated by the New York Cotton Exchange, came to 750,000 bales, bringing total consumption for the season to 10,634,000 bales. This was exceeded by the peak war years of 1942 and 1943 when consumption averaged about 11,100,000 bales.

Trade Volume Influenced Largely by Promotional Sales Again Rises Moderately in Latest Week

An increase in the number of shoppers, stimulated by bargain and promotional sales, resulted in a moderate rise in retail volume in the period ended on Wednesday of last week. For the first time in some weeks, the dollar volume of retail trade in scattered areas exceeded that for the similar 1950 period. For the nation as a whole, however, retail volume was slightly below that in 1950 when there was still considerable evidence of war-scare buying, states Dun & Bradstreet, Inc., in its current review of trade.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 1% above to 4% below a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England and East —1 to +3; South 0 to —4; Middlewest and Northwest —2 to —6; Southwest +3 to +7, and Pacific Coast —1 to —5.

An enlarged volume of both new orders and re-orders for merchandise suitable for Fall promotions was placed by retailers. The dollar volume of wholesale trade increased moderately in the week and was slightly above the very high level of a year ago. While the number of buyers in attendance at the major wholesale centers was almost half again as large as in the previous week, there were about 6% fewer than in the similar week in 1950.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 18, 1951, decreased 5% from the like period of last year. A decline of 8% was recorded in the previous week from that of a year ago, and a decrease of 12% is shown for the four weeks ended Aug. 18, 1951. For the year to date department store sales registered an advance of 4%.

Retail trade in New York last week dropped approximately 15% below the corresponding period a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 18, 1951, declined 7% from the like period of last year. In the preceding week a decrease of 9% was registered under the similar week of 1950. For the four weeks ended Aug. 18, 1951, a decrease of 12% was recorded below that of a year ago, and for the year to date volume advanced 8% from the like period of last year.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Sept. 2	99.8	100.4	101.5	97.1
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 2	1,995,000	2,007,000	2,029,000	1,872,800
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Aug. 18	6,240,850	6,231,250	6,165,700	5,707,580
Crude runs to stills—daily average (bbls.)	Aug. 18	¶6,470,000	6,592,000	6,406,000	6,099,000
Gasoline output (bbls.)	Aug. 18	21,526,000	22,135,000	21,363,000	21,319,000
Kerosene output (bbls.)	Aug. 18	2,497,000	2,353,000	2,477,000	2,265,000
Distillate fuel oil output (bbls.)	Aug. 18	8,593,000	8,906,000	8,721,000	7,380,000
Residual fuel oil output (bbls.)	Aug. 18	8,442,000	8,598,000	8,963,000	8,311,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 18	116,668,000	118,186,000	122,104,000	108,274,000
Kerosene (bbls.) at	Aug. 18	28,923,000	28,611,000	26,402,000	24,413,000
Distillate fuel oil (bbls.) at	Aug. 18	63,113,000	81,692,000	75,001,000	65,107,000
Residual fuel oil (bbls.) at	Aug. 18	47,166,000	46,792,000	44,045,000	42,008,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 18	829,398	809,354	804,570	851,240
Revenue freight received from connections (number of cars)	Aug. 18	666,622	666,540	652,067	706,627
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 23	$188,893,000	$214,929,000	$251,875,000	$198,771,000
Private construction	Aug. 23	87,412,000	117,291,000	114,995,000	106,138,000
Public construction	Aug. 23	101,481,000	97,638,000	136,880,000	92,633,000
State and municipal	Aug. 23	76,590,000	58,596,000	105,224,000	87,879,000
Federal	Aug. 23	24,891,000	39,042,000	31,656,000	4,754,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 18	10,390,000	10,175,000	10,275,000	11,301,000
Pennsylvania anthracite (tons)	Aug. 18	712,000	703,000	812,000	954,000
Beehive coke (tons)	Aug. 18	139,100	*139,200	149,700	146,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Aug. 18	268	*252	234	281
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 25	7,076,534	7,164,469	7,005,261	6,345,503
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Aug. 23	130	158	184	176
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 21	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Aug. 21	$52.69	$52.69	$52.69	$46.61
Scrap steel (per gross ton)	Aug. 21	$43.00	$43.00	$43.00	$41.58
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 22	24.200c	24.200c	24.200c	22.250c
Export refinery at	Aug. 22	27.425c	27.425c	27.425c	22.425c
Straits tin (New York) at	Aug. 22	103.000c	103.000c	106.000c	106.000c
Lead (New York) at	Aug. 22	17.000c	17.000c	17.000c	14.000c
Lead (St. Louis) at	Aug. 22	16.800c	16.800c	16.800c	13.800c
Zinc (East St. Louis) at	Aug. 22	17.500c	17.500c	17.500c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 28	98.94	98.78	97.63	102.19
Average corporate	Aug. 28	111.07	111.07	110.52	116.02
Aaa	Aug. 28	115.82	115.82	114.85	120.84
Aa	Aug. 28	114.85	114.85	114.08	119.41
A	Aug. 28	110.15	109.97	109.42	115.63
Baa	Aug. 28	104.31	104.14	103.97	109.06
Railroad Group	Aug. 28	107.62	107.62	106.92	111.81
Public Utilities Group	Aug. 28	111.07	110.70	110.34	116.80
Industrials Group	Aug. 28	114.85	114.85	114.08	119.82
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 28	2.57	2.58	2.66	2.33
Average corporate	Aug. 28	3.11	3.11	3.14	2.85
Aaa	Aug. 28	2.86	2.86	2.91	2.61
Aa	Aug. 28	2.91	2.91	2.95	2.68
A	Aug. 28	3.16	3.17	3.20	2.87
Baa	Aug. 28	3.49	3.50	3.51	3.22
Railroad Group	Aug. 28	3.30	3.30	3.34	3.07
Public Utilities Group	Aug. 28	3.11	3.13	3.15	2.81
Industrials Group	Aug. 28	2.91	2.91	2.95	2.66
MOODY'S COMMODITY INDEX	Aug. 28	456.2	457.7	466.3	471.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 18	187,002	166,587	176,346	265,558
Production (tons)	Aug. 18	223,617	223,293	225,732	229,349
Percentage of activity	Aug. 18	93	94	94	101
Unfilled orders (tons) at end of period	Aug. 18	568,311	607,643	589,330	679,065
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Aug. 24	140.8	148.0	148.4	131.3
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Aug. 11	29,270	33,813	25,428	30,715
Number of shares	Aug. 11	845,551	980,026	710,236	923,969
Dollar value	Aug. 11	$37,156,123	$45,228,329	$32,380,715	$41,459,142
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 11	26,550	29,250	21,448	27,918
Customers' short sales	Aug. 11	312	502	404	269
Customers' other sales	Aug. 11	26,238	28,748	21,044	27,649
Number of shares—Total sales	Aug. 11	736,740	815,218	572,416	801,513
Customers' short sales	Aug. 11	10,167	14,911	14,706	9,653
Customers' other sales	Aug. 11	726,573	800,307	557,710	791,860
Dollar value	Aug. 11	$30,339,739	$35,722,885	$23,680,128	$31,198,271
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 11	217,730	217,160	137,030	237,540
Short sales	Aug. 11				
Other sales	Aug. 11	217,730	217,160	137,030	237,540
Round-lot purchases by dealers—					
Number of shares	Aug. 11	312,010	381,510	320,660	345,750
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Aug. 21	176.8	*177.2	178.0	166.6
Farm products	Aug. 21	188.9	190.9	189.0	176.3
Grains	Aug. 21	181.0	181.1	177.0	165.5
Livestock	Aug. 21	262.5	263.8	260.8	245.2
Foods	Aug. 21	186.2	187.4	185.0	174.0
Meats	Aug. 21	278.5	278.1	274.4	259.3
All commodities other than farm and foods	Aug. 21	166.0	*166.1	167.7	156.0
Textile products	Aug. 21	168.1	*168.5	175.5	149.5
Fuel and lighting materials	Aug. 21	137.8	137.8	137.7	134.6
Metals and metal products	Aug. 21	188.1	188.1	188.2	174.9
Building materials	Aug. 21	222.4	*222.3	224.2	215.3
Lumber	Aug. 21	343.6	*343.2	350.2	‡
C[illegible]als and allied products	Aug. 21	140.1	139.9	138.2	122.3

*Revised. ‡Not available. ¶Includes 528,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of July 31:			
Imports	$224,623,000	$267,331,000	$210,624,000
Exports	104,442,000	104,189,000	80,160,000
Domestic shipments	13,374,000	13,127,000	11,788,000
Domestic warehouse credits	10,904,000	9,366,000	9,811,000
Dollar exchange	166,000	242,000	500,000
Based on goods stored and shipped between foreign countries	26,982,000	30,970,000	22,065,000
Total	$380,491,000	$425,225,000	$334,948,000
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DE- June (000's omitted) **PARTMENT OF COMMERCE — Month of**	$1,116,000	$209,500	$895,800
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of July 31 (000's omitted)	$336,000	$331,000	$259,000
CONSUMER PURCHASES OF COMMODITIES —DUN & BRADSTREET, INC. (1935-1939=100)—Month of July	353.7	336.6	367.7
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y.—1935-1939 AVERAGE=100—Month of July:			
Sales (average monthly), unadjusted	176	259	188
Sales (average daily), unadjusted	179	254	192
Sales (average daily), seasonally adjusted	256	267	274
Stocks, unadjusted	262	274	*195
Stocks, seasonally adjusted	294	290	*219
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of May:			
All manufacturing (production workers)	12,991,000	*13,090,000	11,841,000
Durable goods	7,404,000	*7,428,000	6,456,000
Nondurable goods	5,587,000	*5,662,000	5,385,000
Employment indexes—			
All manufacturing	158.6	*159.8	144.5
Payroll indexes—			
All manufacturing	428.3	*432.9	348.0
Estimated number of employees in manufacturing industries—			
All manufacturing	15,839,000	*15,928,000	14,413,000
Durable goods	8,959,000	*8,977,000	7,809,000
Nondurable goods	6,880,000	*6,951,000	6,604,000
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX — 1935-39=100 (COPYRIGHTED AS OF AUGUST 1):			
Composite Index	148.5	148.7	137.6
Piece goods	139.8	140.0	127.6
Men's apparel	146.6	146.5	138.9
Women's apparel	137.3	137.5	130.1
Infants' and children's wear	136.8	136.8	129.3
Home furnishings	162.8	163.6	147.0
Piece goods—			
Rayon and silks	116.7	116.7	113.0
Woolens	158.1	157.1	138.3
Cotton wash goods	160.0	161.9	146.6
Domestics—			
Sheets	194.5	197.0	167.3
Blankets and comfortables	175.0	174.9	143.1
Women's apparel—			
Hosiery	105.4	106.6	102.1
Aprons and housedresses	144.5	144.9	141.9
Corsets and brassieres	143.0	143.0	130.8
Furs	149.7	148.4	134.0
Underwear	137.8	137.8	133.2
Shoes	151.2	150.8	140.8
Men's apparel—			
Hosiery	148.6	148.0	140.9
Underwear	166.7	166.7	152.2
Shirts and neckwear	134.2	134.7	129.5
Hats and caps	127.9	127.9	127.2
Clothing including overalls	135.3	135.3	131.3
Shoes	185.5	185.5	167.7
Infants' and children's wear—			
Socks	132.8	132.8	130.4
Underwear	123.0	123.0	118.9
Shoes	160.5	160.3	143.5
Furniture	158.0	158.1	147.1
Floor coverings	192.5	193.3	162.7
Radios	125.8	126.2	117.9
Luggage	135.0	135.0	128.3
Electrical household appliances	148.7	148.8	138.4
China	136.3	136.3	132.9
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of July:			
Earnings—			
All manufacturing	$64.56	*$65.32	$59.21
Durable goods	68.92	*70.39	63.01
Nondurable goods	58.78	*58.47	54.73
Hours—			
All manufacturing	40.4	40.8	40.6
Durable goods	41.0	*41.8	41.1
Nondurable goods	39.5	39.4	39.8
Hourly earnings—			
All manufacturing	$1.598	*$1.601	$1.462
Durable goods	1.681	*1.684	1.533
Nondurable goods	1.486	*1.484	1.375
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of June:			
Death benefits	$142,116,000	$149,159,000	$133,973,000
Matured endowments	42,984,000	43,178,000	48,117,000
Disability payments	8,247,000	8,846,000	8,583,000
Annuity payments	22,512,000	23,573,000	21,568,000
Surrender values	57,296,000	60,249,000	60,244,000
Policy dividends	65,101,000	53,330,000	57,664,000
Total	$338,256,000	$338,335,000	$330,149,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of July (000's omitted):			
Ordinary	$1,472,000	$1,485,000	$1,404,000
Industrial	420,000	475,000	413,000
Group	327,000	335,000	508,000
Total	$2,219,000	$2,295,000	$2,325,000
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of July	£83,295,000	£11,208,000	£13,854,000
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS — Month of June (000's omitted):			
Exports	$1,292,800	*$1,352,700	$877,000
Imports	929,000	*1,016,800	685,859

*Revised figure.

Continued from page 6

Mutual Funds

The managers of an investment company must: (1) select, (2) buy, (3) hold, (4) sell various issues of the securities and stock depending on the market trend, price, indicated earnings, dividend potentials and other factors—in short, they 'buy the market.'" The Judge concluded that the gain resulting was income occuring in the ordinary conduct of such business.

Text of Decision

Following is the text of the decision of Judge James S. Brady, P. J., specially presiding, in the Orphans' Court of Luzerne County, Pa., concerning the apportionment of the capital gains dividends of regulated investment companies in the case of the Estate of Rebecca J. Lovett.

Re Estate of Rebecca Lovett, deceased, Orphans Court of Luzerne County No. 298 of 1933.

Audit of the first and final account of Benjamin F. Morgan, trustee, deceased, as stated by Jessie L. Morgan, executrix of the Estate of Benjamin F. Morgan, deceased.

The audit was heard after due legal notice on the 18th day of June, 1951.

The audit was closed, and from the record we find the following facts:

First, that the decedent died testate on the 24th day of February, 1933; her will was duly probated on March 9, 1933, and in said will a trust was created for Kaloolah L. Buchanan for the term of her natural life, and Benjamin F. Morgan was named trustee. Benjamin F. Morgan is now deceased and The Real Estate Trust Co. of Philadelphia, Pennsylvania, was appointed substituted trustee on the 22nd day of September, 1950.

Second, the funds for distribution, as shown by the account confirmed absolutely on the 26th day of March, 1951, amounts to principal $6,534.95, income $81.52, surcharge in income account as directed in the order of this court dated March 26, 1951, $716.99, total $7,333.46.

Third, an exception was filed by the substituted trustee to the account of the testamentary trustee, deceased, as stated by the executrix of the estate of the late fiduciary. The exception was directed against the claim of credits in the account for distribution to the life beneficiary certain "capital gains dividends" received as part of cash dividends on capital stock of an investment company, to wit, Wellington Fund, Inc.

The amount of such dividends designated "capital gains dividends" paid by the investment company and distributed by the trustee was admitted to be $716.99.

The exception was sustained pro forma and credit in the account reflecting the distribution of "capital gains dividends" amounting to $716.99 was stricken and the account confirmed finally but without prejudice to the rights of all interested parties to present claim for said amount at the audit for distribution and award. The life tenant has made such claim.

It appeared that the late fiduciary, in his administration of the trust, had over the period of years gradually invested the greater portion of the trust fund in stock of the investment company.

The investment company, Wellington Fund, Inc., a Delaware Corporation, is subject to the provision of the Investment Company Act of 1940, 15 U. S. C. A., Section 80a-1, *et seq*, and elected classification for tax purposes under Section 361 and 362 of the Internal Revenue Code 26, U. S. C. A., Internal Revenue Code, Section 361-2.

The account shows an increase of the corpus of the trust during the administration. The corpus having increased from a cash fund of $3,469.87 to the reported value of $6,534.95 (in kind) including therein 320 shares of Wellington Fund, Inc., at value (cost) of $5,737.21.

Proper distribution and award of the balance shown for distribution reflected in the account as confirmed presents the question: Should "capital gains dividends" paid on investment company shares of stock to a holder-fiduciary be distributed by him to the life beneficiary as income or be allocated to corpus for the benefit of the remainder man?

Neither the trust beneficiaries nor the substituted trustee question the action or conduct of the late fiduciary investing corpus or principal of the trust fund in stock of an investment company.

The action of the trustee that is questioned is his distribution of "capital gains dividends" received on the stock of the investment company, an asset of the trust corpus.

The investment company is subject to the provisions of the Investment Company Act of 1940, U.S.C.A. section 80a-1, *et seq.*, and section 361-2 of the Internal Revenue Code, 26 U.S.S.A. Internal Revenue Code, section 361-2. The investment company under such regulations is required to distribute annually not less than 90% of its income earnings from interest and dividends as well as all of its profits from net long-term capital gains.

In making such distribution, it is required to advise its stockholders of the proportion of the total dividends derived from long-term gains and the proportion attributable to income received on investments.

Such designated or "label" dividends allocated for tax purposes benefit the corporation and stockholder; but the "label" should not govern the allocation by a trustee-holder of such dividends either to income or principal.

The portfolio assets of an investment company are not regarded as permanent assets of fixed capital by the managers of the company; the securities held are treated by the managers as funds to be turned over in the normal management of the business. Selling a portfolio asset is but a normal incident in the business. The managers of an investment company must (1) select, (2) buy, (3) hold, (4) sell various issues of securities and stock, depending on market trend, price, indicated earnings, dividend potentials and other factors—in short, they "buy the market." The gain resulting from turning over of any portfolio asset by an investment company is income occurring in the ordinary conduct and course of such business.

In the opinion of the Court, the trustee has made proper distribution of "capital gains dividends" as income to the life beneficiary. The decision in Estate of Byrne, 81 N. Y. S. (2-d), 23, concisely decides the question: "The buying and selling of securities is the operating procedure of investment company and the profits derived from such activities when distributed to stockholders in the form of dividends are income and and not principal. . . ."

Since the trust was creater prior to the passage of the Uniform Prindipal and Income Act of May 3, 1945, P.L. 416 as re-enacted by the Principal and Income Act of July 3, 1947, P.L. 1283, the Pennsylvania Rule of Apportionment would apply to the distribution of such dividends, if the intact value of the corpus assets of the trust were impaired. **Crawford Estate 362 P.A. 458.**

But is the opinion of the Court that dividends paid by an investment company, although such dividends are designated or labeled "capital gains dividends," are true income dividends on the investment company stock and the contention that such dividends are principal or a depletion of the intact value of the stock overlook the purpose, objective and advantages of the business entity, a regulated investment company.

Therefore, the distribution by the trustee to the life beneficiary of "capital gains dividends" received as cash dividends on stock in the regulated investment company, Wellington Fund, Inc., was a proper allocation by the trustee.

Distribution and award of the balance shown in the account as confirmed should be made in accordance with such finding.

We find as a matter of law: That after paying the cost of the audit and giving effect to the adjudications of this audit, the corpus of this Fund, to wit—Bonds, $1,000 New Orleans Terminal Co., value $797.74 and 320 shares of Wellington Fund, Inc., value at $5,737.21, will be distributed in kind to The Real Estate Trust Co. of Philadelphia, Pa., substituted trustee for further accounting, and the balance of income to the life tenant, Kaloolah L. Buchanan.

By the Court,
James S. Brady, P.J.
Specially presiding.

TWO NEW SERVICES for investors, regarded as significant developments in the mutual investment fund field, were made public by Keystone Custodian Funds.

The first, a trust plan, originally reported in "The Chronicle" of April 12, combines bank trust facilities and long-term investment in mutual fund shares in an integrated program for the first time. According to Keystone's President, S. L. Sholley, who announced the new services, it enables investors to establish a trust with Keystone Fund shares under bank administration, to be operated both during their lifetimes and thereafter for their beneficiaries .

The second is a Profit Sharing Trust Service which provides all of the "tools" and information needed by investment dealers to assist business concerns in setting up profit-sharing trusts or other complex forms of retirement plans.

This Service was developed after more than a year and a half of extensive study of the pension and profit-sharing fields. It includes forms of establishing working formulas, model trust agreements, and the accounting procedures to set up incentive and retirement plans.

The mutual funds are an ideal investment medium for profit-sharing plans and should have ready acceptance in this phase of the retirement field provided dealers are supplied with the requirements for helping companies get them started, the investment company president said. Pension planning, on the other hand, does not offer a fertile field for the mutual fund dealer because he cannot compete with the insurance companies in the provision of the actuarial, tax, and legal assistance necessary to set up such plans.

He added that in his opinion many businesses and their employees would fare better with a profit-sharing trust or a "combination" plan which uses both a "bare-bones" pension and profit-sharing, than a straight pension plan. The latter are more costly during the funding period because employees are credited with back service to date of employment and the plan, in being committed to fixed future dollar payments, must confine investments to the 2% to 2½% income yield range. They are also vulnerable to the decline in the purchasing power of the dollar as the retirement payments, fixed when such plans are started, may be worth a great deal less in terms of what they will purchase at some future date when the employee retires. Or employees may lose their pensions entirely if, during poor times, the company cannot meet the fixed contributions and the plan has to be abandoned to avoid bankruptcy.

Contributions to profit-sharing plans are made only when profits exist to make them, Mr. Sholley pointed out. Because these plans are not hampered by fixed future commitments, intermediate market fluctuations are of relatively little concern. Thus, they can seek an income return from security investments in the 4% to 5% range. This increase in yield over the 2-2½% range for pension funds, when compounded through reinvestment over a relatively long period of time, greatly accelerates the building up of a profit-sharing fund. This makes it less costly to the company and gives each employee's share of the fund a chance to grow as a partial or complete offset to inflation's effect on the purchasing power of the dollar.

The Keystone Living Trust plan reverses the usual trust management procedure in that it enables the investor himself to determine the investment policy of his trust for not only his lifetime, but thereafter for his beneficiaries. This is possible through investment in two or more of Keystone's four bond, two preferred, and four common stock Funds. The combination of Funds used depends on whether the investor's primary objective is income, to build capital, or some other investment goal. The trust remains under bank trusteeship, but the investments are controlled by the policy set by the investor and by the continuous investment supervision provided through use of mutual fund shares.

It is fully revocable by the creator, and he may change the investment policy at any time. None of the provisions can be altered by the beneficiaries.

Among the advantages of a trust under the plan are: opportunities for certain tax savings and the avoidance of the inconveniences and costs of probate. The plan was worked out with the assistance of the Pennsylvania Company For Banking & Trusts in Philadelphia, one of the country's oldest and largest banks.

THE BIG JOB of channelling a substantial share of the nation's disposable income into productive investments in the American economy offers the country's investment industry its greatest opportunity to be "a vital service industry" during the mobilization period, according to the viewpoint advanced by Grady Clark, Vice-President and General Sales Manager of Investors Diversified Services. He spoke at an annual sales meeting of New York State securities distributors of Investors Syndicate Title & Guaranty Co., a subsidiary of the investors group.

"The money management skill and know-how of the investment industry, if fully mobilized and faithfully and efficiently applied, can be relatively as important a national resource as steel, oil, power and aluminum," Clark told the company's New York group.

In comparison with other national service industries, he pointed out, the investment industry across the country "must make up in experience and resourcefulness for what it lacks in sheer volume of manpower, and must continue to attract and keep the nation's best financial brains."

Clark described the 60,000 men and women who earn their living in the securities and investment business as "a most essential front-line sales and service force for the American capital enterprise system."

"We in the investment securities field," he said, "are perhaps the smallest single employee group of any single national industry—but we have perhaps the largest single job, that of serving and protecting the interests of more than 15,000,000 American investors who have backed their faith in our capital enterprise system by investing their dollars in the securities of our industries and businesses."

Capital seeking investment, he stated, seems certain to grow during the mobilization period, if individual incomes continue to rise, and if shortages of consumer goods develop in the face of increasing defense production. To forestall potential inflationary dangers, he said, "the field force of the investment industry must intelligently and aggressively encourage the public to put capital which escapes taxation into long-term thrift and investment plans."

With Federal, state and local tax levies now absorbing about 25 cents of every American's income dollar, the job of encouraging individual thrift and investment is nearly as challenging as it was during World War II, when 27 cents out of every dollar was taken in taxes, he pointed out.

THE WEEKLY BUSINESS Index, computed by Axe-Houghton in their survey of the General Financial Situation, advanced moderately during the middle two weeks of August, following a downward trend in the first seven months of 1951 which had reduced the index on July 28 to the lowest level since the railroad strike of last February.

In discussing the present business situation, the report states: "Actually business in several consumers' goods industries has been unsatisfactory only in comparison with the abnormal demand which developed after the invasion of Korea. Retail trade is at approximately the pre-Korean level. New passenger car registrations in June, 1951, seasonally corrected, were higher than at the beginning of 1950, when they were considered fairly satisfactory, although they have declined 33% from the August, 1950, peak.

"It seems probable, moreover, that restrictions on the use of metals will prevent manufacturers from meeting even this reduced level of demand. 'Automotive News' said that new car inventories in the hands of franchised dealers are down to the lowest levels in two years. On Aug. 1 new car inventories averaged 8.7 per dealer, as compared with 10.1 cars on July 1. Used car prices are becoming firmer.

"Production of jet planes," the report continues, "an important part of the defense plan, has been hindered by shortages of machine tools. The production of machine tools has been hindered by government price regulations, a difficulty which the government has just recently tried to correct by allowing producers to increase base period prices 12% in determining ceiling prices. The government hopes to stimulate the production of 2.2 billion dollars' worth of machine tools by 1953, as compared with 1950 output of 675 million. Inventories of consumers' goods are still too high, but if the machine tool bottleneck can be eliminated and defense contracts more widely spread among subcontractors, employment and payrolls should increase and raise purchasing power enough to permit the liquidation of abnormal inventories, unless the increases in payrolls are offset by higher taxes.

Securities Now in Registration

★ REVISIONS THIS WEEK
• INDICATES ADDITIONS

New Registrations and Filings

Aegis Corp., Denver, Colo.
Aug. 8 (letter of notification) 80,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To purchase 50,000 shares of capital stock (par $1) of Aegis Casualty Insurance Co. at $1.50 per share, and for operating capital. **Office**—E and C Building, Denver, Colo.

American Cladmetals Co.
Aug. 22 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2.12½ per share. **Underwriters**—Graham & Co., Pittsburgh, Pa., and Graham, Ross & Co., Inc., New York. **Proceeds**—For working capital and new equipment.

Arizona Motion Picture Corp., Mesa, Ariz.
Aug. 22 (letter of notification) 27,800 shares of 6% cumulative preferred stock. **Price** — At par ($10 per share). **Underwriter**—None. **Proceeds** — For expenses incident to production, advertising and exploitation of motion pictures. **Address**—P. O. Box 364, Mesa, Ariz.

Bonanza Mining Co., Wenden, Ariz.
Aug. 21 (letter of notification) 10,000 shares of common stock (par $1), to be issued under a rescission offer. **Price**—$2.50 per share. **Underwriter**—None. **Proceeds**—For mine development program.

Brunner Manufacturing Co., Utica, N. Y.
Aug. 27 (letter of notification) 5,959.54 shares of common stock (par $1), to be issued as a 2% stock dividend on Sept. 1 to holders of record Aug. 20 and to be purchased by underwriters at $7.75 per share. **Price**—$8.25 per share. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y.

Burns Bros. & Co., Inc., Boston, Mass.
Aug. 24 (letter of notification) 5,000 shares of 7½% preferred stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For expansion program. **Office**—35 Providence Street, Boston, Mass.

Clary Multiplier Corp.
Aug. 20 (letter of notification) 20,000 shares of 5½% cumulative convertible preferred stock (par $5). **Price**—At not exceeding $6.12½ per share, and accrued dividends. **Underwriter**—Morgan & Co., Los Angeles, Calif. **Proceeds**—To reduce bank loans and for working capital.

Cone Mills Corp., Greensboro, N. C.
Aug. 29 filed 400,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Underwriters**—Morgan Stanley & Co., New York. **Proceeds**—To four selling stockholders.

Consolidated Engineering Corp., Pasadena, Cal.
Aug. 20 (letter of notification) 1,150 shares of common stock (par $1), to be issued to Hugh F. Calvin, Treasurer and Assistant to President, upon exercise of stock option. **Price**—$23.50 per share. **Proceeds**—For working capital. **Office**—300 North Sierra Madre Villa, Pasadena, Calif.

Consolidated Engineering Corp., Pasadena, Calif.
Aug. 23 (letter of notification) 460 shares of common stock (par $1) to be issued to Clifford E. Berry, upon exercise of stock option. **Price**—$23.50 per share. **Underwriter**—None. **Proceeds**—For working capital.

Consumers Public Service Co., Brookfield, Mo.
Aug. 22 (letter of notification) 1,500 shares of 5% cumulative preferred stock. **Price** — At par ($50 per share). **Underwriter**—None, but will be sold through Wachob-Bender Corp., Omaha, Neb. **Proceeds**—For liquidation of short-term notes and for further extensions and betterments of the company's electric property. **Office**—201½ No. Main St., Brookfield, Mo.

Corporate Leaders of America, Inc.
Aug. 27 filed $15,000,000 periodic payment certificates, $790,837.50 participations and $500,000 single payment certificates of Corporate Leaders Trust Fund certificates, series B. **Sales Agent-Underwriter**—Renyx, Field & Co., New York. **Proceeds**—For investment.

Crown Drug Co., Kansas City, Mo.
Aug. 21 (letter of notification) by amendment $300,000 4½% debenture convertible notes due Oct. 1, 1962 (in units of $60, $100, $500 and $1,000). **Underwriters**—Roger W. Babson, Wellesley Hills, Mass.; H. J. Witschner, Kansas City, Mo.; Business Statistics Organization, Inc., Babson Park, Mass.; or their nominees. **Proceeds**—To retire debt to RFC and for working capital. **Office**—2110 Central St., Kansas City, Mo.

East Eagle Mining Co., Seattle, Wash.
Aug. 2 (letter of notification) 20,000 shares of common stock. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—5515 15th Street, N. E., Seattle, Wash.

Educators Furniture & Supply Co., Inc.
Aug. 22 (letter of notification) 2,250 shares of common stock, of which 1,547 shares are to be issued in exchange for over 97% of the outstanding shares of Furniture Arts, Inc., and 703 shares are to be sold to the public. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—For loans to Furniture Arts, Inc., to reduce current borrowing and for working capital. **Office**—Tacoma, Wash.

Excalibur Uranium Corp., Denver, Colo.
Aug. 13 (letter of notification) 99,750 shares of class B stock, to be offered to stockholders on a preemptive basis of one share for each two shares held; unsubscribed shares to be offered to a few selected investors. **Price**—$2 per share. **Underwriter**—None. **Proceeds**—For working capital and for development work on mineral claims. **Address**—c/o Holland & Hart, 350 Equitable Building, Denver, Colo.

Hahn Aviation Products, Inc.
Aug. 27 (letter of notification) 17,500 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—None, but company will effect its own distribution. **Proceeds**—For engineering, acquisition of machinery and other corporate purposes. **Office**—2636 No. Hutchinson Street, Philadelphia 33, Pa.

Hedges Diesel, Inc., Eddington, Pa.
Aug. 27 (letter of notification) 12,500 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To build Diesel truck engines.

Hobby & Brown Electronic Corp., N. Y.
Aug. 22 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York. **Proceeds**—To purchase inventory and for working capital. **Office**—55 Front Street, Rockville Centre, N. Y.

Imperial Brands, Inc.
Aug. 20 (letter of notification) 50,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Inc., Los Angeles, Calif. **Proceeds**—To purchase additional machinery and equipment and for working capital. **Office**—324 Hindry Avenue, Inglewood, Calif.

Inland Steel Co.
Aug. 27 filed 250,000 shares of capital stock (no par) to be issuable upon exercise of stock option issuable under the company's proposed stock option plan to be voted upon by stockholders on Sept. 6. **Price**—To be 85% of current fair market value of the stock. **Proceeds**—For working capital.

Longstreet-Abbott & Co., Clayton, Mo.
Aug. 17 (letter of notification) not to exceed $300,000 Commodity Trading Fund contracts and Commodity Syndicate contracts entitling holders to participate in profits in proportion to investment. **Underwriter**—None. **Proceeds**—To be used as margin for purchase and sale of commodity futures in a joint venture between cash participants and company. **Office**—7 No. Brentwood Boulevard, Clayton, Mo.

Maplehurst Farms, Inc., Indianapolis, Ind.
Aug. 23 (letter of notification) $200,000 of 5¼% first mortgage sinking fund bonds (in denominations of $500 and $1,000 each). **Underwriter** — City Securities Corp., Indianapolis, Ind. **Proceeds** — To retire short-term bank loans and for working capital. **Office**—3745 Farnsworth St., Indianapolis, Ind.

Maxon, Inc., Detroit, Mich.
Aug. 21 (letter of notification) $50,000 of 6% cumulative prefererd stock (par $50) and $200,000 of 7% bonds (in denominations of $200 each), to be offered to employees of company in Michigan, New York and Illinois. **Underwriter**—None. **Proceeds**—For additional working capital and to provide funds for ultimate purchase of common stock of retiring executives and the subsequent resale on credit to junior executives. **Office**—2761 East Jefferson Ave., Detroit, Mich.

Merck & Co., Inc. (9/18)
Aug. 23 filed 244,500 shares of cumulative convertible 2nd preferred stock, no par (each share convertible into 2.9 shares of common stock), to be offered for subscription by common stockholders of record Sept. 18 at rate of one preferred share for each 30 common shares held after the proposed 3-for-1 stock split to be voted upon Sept. 10. Rights will expire on Oct. 3. **Price**—To be supplied by amendment. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, New York. **Proceeds**—For capital expenditures and working capital.

Microtech Corp., Los Angeles, Calif.
Aug. 23 (letter of notification) 12,500 shares of capital stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and other assets useful in manufacture of miniature ball bearings and for working capital for initial operation. **Office**—1706 S. Grand Avenue, Los Angeles, Calif.

Midwest Plant Foods, Inc., Napoleon, Ohio
Aug. 20 (letter of notification) 400 shares of common stock (no par) and 200 shares of 6% non-cumulative preferred stock (par $500), probably to be offered in units of one preferred and two common shares at $500 per unit. **Underwriter**—None. **Proceeds** — For purchase of materials to be used in the manufacture of fertilizer.

Mohawk Business Machines Corp.
Aug. 28 (letter of notification) 2,000 shares of common stock (par 10 cents). **Price**—At market (estimated at $1 per share). **Underwriter**—Maurice Barnett, Jr., Manhasset, L. I., N. Y. **Proceeds**—To two selling stockholders.

Mon-Dak Oil Inc., Sidney, Mont.
Aug. 21 (letter of notification) 30,000 shares of class B non-voting stock (par $1). **Price**—$10 per share (minimum amount sold is 10 shares). **Underwriter**—None, but sales will be handled by several officers and other individuals. **Proceeds** — For drilling machinery, geological services, working capital and other corporate purposes. **Office**—722 East Morrill St., Sidney, Mont.

Normandy Productions, Inc., Las Vegas, Nev.
Aug. 24 (letter of notification) 30,000 shares of common stock. **Price**—At par ($10 per share), with 5,000 shares to be donated to the purchasers of the first 5,000 shares sold (as a bonus). **Underwriters**—Company and James Thomas Chiles, Denver, Colo. **Proceeds**—For expenses incident to production, sale and distribution of film, intended primarily for television. **Office**—118 So. 5th Street, Las Vegas, Nev.

Nu-Enamel Corp., Chicago, Ill.
Aug. 24 (letter of notification) 102,492 shares of common stock, to be offered in exchange of 171,650 shares of common stock and certain notes of McCormack Medl Corp. **Underwriter**—None.

Otter Tail Power Co.
Aug. 20 (letter of notification) 2,700 shares of common stock (par $5). **Price**—$1.25 per share above bid price on date of offering. **Underwriters**—Kalman & Co., St. Paul, Minn.; and W. R. Olson & Co., Fergus Falls, Minn. **Proceeds**—To Estate of Elmer E. Adams, deceased.

Pennsylvania Power & Light Co. (9/18)
Aug. 29 filed 542,484 shares of common stock (no par), to be offered for subscription by common stockholders of record Sept. 18 at rate of one new share for each seven shares held; rights to expire on or about Oct. 3. Unsubscribed shares to be offered for subscription by employees. **Price**—To be supplied by amendment. **Underwriters**—Drexel & Co. and The First Boston Corp. **Proceeds**—To finance, in part, construction program (estimated to total $12,700,000 during remainder of 1951.

Portland (Ore.) Turf Association
Aug. 22 (letter of notification) 2,000 shares of common stock. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—To reduce indebtedness and for working capital. **Address**—Portland Meadows Race Track, P. O. Box 1611, Portland, Ore.

Roddis Plywood Corp., Marshfield, Wis.
Aug. 29 filed 281,500 shares of common stock (par $1), of which 200,000 shares are for account of the company and 81,500 shares for the account of certain selling stockholders. **Price**—To be supplied by amendment. **Underwriters**—Blyth & Co., Inc., and Reynolds & Co., New York. **Proceeds**—For general corporate purposes, including purchase of additional timber reserves, and for working capital.

Security Finance, Inc., Washington, D. C.
Aug. 14 (letter of notification) $100,000 of 5-year 8% debenture bonds. **Underwriter** — None. **Proceeds**—For purchase of second trust notes secured on District of Columbia real estate. **Office** — 1115-15th St., N. W., Washington, D. C.

Sonotone Corp., Elmsford, N. Y.
Aug. 23 filed 40,000 shares of cumulative convertible preferred stock (par $20). **Price** — To be supplied by amendment. **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds** — To reduce bank loans, and for new machinery and working capital.

Southern Counties Gas Co. of California (9/25)
Aug. 24 filed $12,000,000 of first mortgage bonds, 3½% series due 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Harriman Ripley & Co., Inc. and Dean Witter & Co. (jointly); The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); White, Weld & Co. **Proceeds**—To reimburse treasury for capital expenditures, for new construction, and to reduce indebtedness of company to its parent, Pacific Lighting Co. **Bids**—Expected to be received on Sept. 25.

Suburban Gas Service, Inc., Upland, Calif.
Aug. 22 (letter of notification) 12,000 shares of common stock (par $1). **Price**—$4.50 per share. **Underwriters**—Lester & Co., and Wagenseller & Durst, Inc., both of Los Angeles, Calif. **Proceeds** — To William R. Sidenfaden, President of the company, who is the selling stockholder. **Office**—60 East Foothill Blvd., Upland, Calif.

Suburban Propane Gas Corp.
Aug. 22 (letter of notification) 5,250 shares of common stock (par $1). **Price**—$16 per share. **Underwriter**—None, but Eastman, Dillon & Co., New York, and/or Bioren & Co. may act as brokers. **Proceeds**—To SBN Gas Co., the selling stockholder.

Television-Electronics Fund, Inc., Chicago, Ill.
Aug. 23 filed 500,000 shares of common stock (par $1). **Price**—At market. **Underwriter**—Television Shares Management Co., Chicago, Ill. **Proceeds**—For investment.

Tiger Minerals, Inc., San Antonio, Tex.
Aug. 20 (letter of notification) 15,000 shares of common stock (no par), of which 5,000 will be offered to stockholders through warrants at $10 per share, and 10,000 shares to stockholders under pre-emptive rights at $15 per share; unsubscribed shares to be sold to public at $15 per share. **Underwriter**—None. **Proceeds**—To engage in the oil and gas business, to develop and explore mineral

leases now owned by company, and to acquire, explore and develop new mineral leases. **Office** — 809 Alamo National Bldg., San Antonio, Tex.

United Funds, Inc., Kansas City, Mo.
Aug. 21 filed 1,000,000 United Income Fund shares; 500,000 United Science Fund shares; 120,000 United Accumulative Fund shares; and $8,000,000 periodic investment plans to acquire 800,000 United Accumulative Fund shares. **Price**—At market. **Underwriter**—Waddell & Reed, Inc., Kansas City, Mo. **Proceeds**—For investment.

U. S. Thermo Control Co., Minneapolis, Minn.
Aug. 22 (letter of notification) an unspecified number of shares of common stock (par $1), as will bring the aggregate purchase price up to $4,387.50. **Price** — Estimated at $4 per share. **Underwriter** — None, but shares will be offered in the over-the-counter market. **Proceeds** —To M. B. Green, Vice-President and Secretary, who is the selling stockholder. **Office** — 44 So. 12th St., Minneapolis, Minn.

Wingback, Inc., New York
Aug. 22 (letter of notification) 17,500 shares of class A common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—316 Fifth Avenue, New York, N. Y.

Zenda Gold Mining Co., Salt Lake City, Utah
Aug. 21 (letter of notification) $135,000 of 5-year 7% production notes to be issued in denominations of $50, or more, in multiples of $10. The notes will be convertible as to principal only into common stock on basis of 20 cents per share after March 1, 1952, and before 30 days prior to maturity or 30 days after call. **Underwriter**—None, but sales will be made through brokers. **Proceeds** — For expenses incident to development of mines, for loan to Zenda Gold Mining (Canada) Ltd.—tentative, and for working capital. **Office**—39 Exchange Place, Salt Lake City, Utah.

Previous Registrations and Filings

Acro Manufacturing Co., Columbus, Ohio
Aug. 14 (letter of notification) 40,716 shares of common stock (par 25 cents), to be offered to present stockholders at rate of four-fifths of a share for each share held (unsubscribed shares to be sold to public). **Price**—$7 per share to stockholders and $8 per share to public. **Underwriter**—None. **Proceeds**—For plant improvements and expansion and for working capital. **Office**—2040 East Main Street, Columbus, Ohio.

Alabama Flake Graphite Co., Birmingham, Ala.
July 12 (letter of notification) $100,000 of 7% 20-year sinking fund bonds dated Jan. 15, 1949 and due Jan. 15, 1969 (in denominations of $1,000 each). **Price**—At par. **Underwriter**—Odess, Martin & Herzberg, Inc., Birmingham, Ala. **Proceeds**—For plant expansion. **Office**—420 Comer Bldg., Birmingham, Ala.

Alabama Power Co. (9/11)
Aug. 10 filed $15,000,000 of first mortgage bonds due 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; Shields & Co. and Salomon Bros. & Hutler (jointly); Drexel & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Lehman Brothers. **Proceeds**—For expansion program. **Bids**—Expected to be opened at 11 a.m. (EDT) on Sept. 11 at 20 Pine Street, New York, N. Y.

★ **Alaska Telephone Corp., Juneau, Alaska**
July 18 (letter of notification) $300,000 of 6% 20-year convertible debentures and 75,000 shares of common stock (par $1 per share) to be reserved for conversion of debentures. **Price**—At 100%. **Underwriter**—Tellier & Co., New York. **Proceeds**—For expansion and modernization needs and working capital. **Offering**—Expected after Labor Day.

★ **All American Casualty Co., Chicago, Ill.**
July 26 filed 1,000,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—May be M. A. Kern, President. **Proceeds** — To increase capital and surplus. Statement effective Aug. 21.

American Bosch Corp., Springfield, Mass.
May 17 filed 98,000 shares of common stock (par $2). **Price**—At the market (approximately $15 per share). **Underwriter**—None. **Proceeds**—To Allen & Co. (owner of 198,000 shares, or 15.1% of outstanding shares). Statement effective July 3.

★ **American Box Board Co. (9/11)**
Aug. 21 filed $5,000,000 first (closed) mortgage sinking fund 4¾% bonds due 1961 ($300,000 of which will be offered to directors, officers and salaried employees of the company). **Price**—To be supplied by amendment. **Underwriter**—Paine, Webber, Jackson & Curtis, New York. **Proceeds**—To finance a second paperboard machine and related equipment at the Manistee, Mich., plant.

American Brake Shoe Co.
June 29 filed 50,000 shares of common stock (no par) to be offered to certain officers and key employees through a stock purchase plan. **Price**—To be not greater than the market price on the date of the offering, or no less than 85% of such price. **Underwriter**—None. **Proceeds** —To be added to general funds.

American Investment Co. of Illinois (9/7)
Aug. 16 filed 167,105 shares of $1.25 cumulative convertible preference stock, series A (par $25), to be offered in exchange for common stock of Domestic Finance Corp., Chicago, Ill., the offer to expire on Sept. 25. **Exchange Rate**—To be supplied by amendment. **Dealer-Managers**—Kidder, Peabody & Co., New York, and Alex. Brown & Sons., Baltimore, Md.

NEW ISSUE CALENDAR

August 29, 1951

Jetter & Scheerer Products, Inc. 11 a.m. (EDT) — Common

September 5, 1951

Columbus & Southern Ohio Electric Co. 11:30 a.m. (EDT) — Bonds

September 6, 1951

Gould-National Batteries, Inc. — Preferred
Southern Pacific Co. noon (EDT) — Eq. Trust Ctfs.

September 7, 1951

American Investment Co. of Illinois — Preferred

September 11, 1951

Alabama Power Co. 11 a.m. (EDT) — Bonds
American Box Board Co. — Bonds
Tennessee Gas Transmission Co. — Bonds

September 15, 1951

Cott Beverage Corp. — Preferred

September 18, 1951

New England Gas & Electric Ass'n 11:30 a.m. (EDT) — Bonds
Pennsylvania Power & Light Co. — Common

September 19, 1951

Utah Power & Light Co. 11 a.m. (EDT) — Common

September 20, 1951

Harshaw Chemical Co. — Preferred

September 24, 1951

Mutual Telephone Co. (Hawaii) — Common

September 25, 1951

Southern Counties Gas Co. of California — Bonds

September 26, 1951

Marine Midland Corp., Buffalo, N. Y. — Preferred

October 5, 1951

Texas & Pacific Ry. — Eq. Trust Ctfs.

October 9, 1951

Arkansas Power & Light Co. — Bonds
Pennsylvania Electric Co. — Common

October 12, 1951

Chesapeake & Ohio Ry. noon (EDT) — Equip. Trust Ctfs.

October 18, 1951

Chicago, Rock Island & Pacific Ry. — Eq. Trust Ctfs.
International Refineries, Inc. — Debs. & Stock
Merck & Co., Inc. — Preferred

October 29, 1951

Utah Power & Light Co. noon (EST) — Bonds

November 9, 1951

Pacific Telephone & Telegraph Co. — Debs. & Stock

Arden Farms Co., Los Angeles, Calif.
June 11 filed 55,000 shares of $3 cumulative and participating preferred stock (no par) of which 54,444 shares are first being offered to preferred stockholders of record July 6 at rate of one share for each 4½ shares held with rights to expire on Sept. 24; unsubscribed shares to be offered publicly. **Price**—$45 per share. **Underwriter** —None. **Proceeds**—To repay bank loans. Statement effective July 6.

Bigelow-Sanford Carpet Co., Inc.
May 16, filed 100,000 shares of 4½% cumulative preferred stock, series of 1951 (par $100), of which 39,604½ shares are issuable to holders of 26,403 shares of 6% preferred stock on the basis of 1½ shares for each preferred share held. Public offering of the additional 60,000 shares of new preferred stock has been deferred due to present market conditions. **Underwriters**—Harriman Ripley & Co., Inc.; Kidder, Peabody & Co., and F. S. Moseley & Co. **Proceeds**—For general corporate purposes.

Blair (Neb.) Telephone Co.
July 18 (letter of notification) $175,000 of first mortgage 4% bonds, series A, due 1971. **Price**—101 and accrued interest. **Underwriter** — Wachob-Bender Corp., Omaha, Neb. **Proceeds**—To retire first mortgage (closed) 3½% bonds and to convert to dial operation.

Burlington Mills Corp.
March 5 filed 300,000 shares of convertible preference stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For additions and improvements to plant and equipment. Offering date postponed.

Central Eureka Mining Co.
Aug. 7 filed 300,000 shares of capital stock to be offered to stockholders of record Aug. 24 on basis of one share for each two shares held, with an oversubscription privilege; rights expire on Sept. 28. **Price**—At par ($1 per share.) **Underwriter** — None. **Proceeds** — For development program.

City Title Insurance Co.
Aug. 16 (letter of notification) 16,000 shares of common stock (par $2.50) being offered to stockholders of record Aug. 20 on basis of one share for each 5¼ shares held; rights expire on Sept. 14. **Price**—$5 per share to stockholders and at $6 per share to public. **Underwriter** — Chilson, Newberry & Co., Inc., Kingston, N. Y. **Proceeds** —For general corporate purposes.

Clinton (Mich.) Machine Co.
Aug. 16 (letter of notification) 100,000 shares of common stock (par $1). **Price**—At the market (estimated at $2.75 per share, but not more than $3 per share). **Underwriter** —None. **Proceeds**—For working capital, including payment of accounts payable and purchase of inventory.

Colonial Acceptance Corp., Chicago, Ill.
Aug. 10 (letter of notification) 10,000 shares of class A common stock, first series (par $1). **Price**—At market (estimated at about $4.50 per share). **Underwriter**—Straus & Blosser, and probably others. **Proceeds** — To David J. Gradman, President, who is the selling stockholder.

Columbus & Southern Ohio Electric Co. (9/5)
Aug. 8 filed $12,000,000 of first mortgage bonds, due 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Salomon Bros. & Hutzler; Lehman Brothers; White, Weld & Co.; Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Union Securities Corp. and Glore, Forgan & Co. (jointly). **Proceeds**—To repay bank loans and for construction purposes. **Bids**—To be opened at 11:30 a.m. (EDT) on Sept. 5 at City Bank Farmers Trust Co., 22 William Street, New York, N. Y.

Cornucopia Gold Mines
May 14 (letter of notification) 229,800 shares of common stock (par five cents) being offered for subscription by stockholders of record June 30, 1951, on a one-for-five basis, with an oversubscription privilege; rights to expire on Oct. 1. **Price**—30 cents per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—824 Old National Bank Bldg., Spokane, Wash.

Deardorf Oil Corp., Oklahoma City, Okla.
May 18 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—70 cents per share. **Underwriter**—None. **Proceeds**—To pay obligations. **Office**—219 Fidelity Bldg., Oklahoma City, Okla. **Offering**—Temporarily postponed "because of market conditions."

Drayson-Hanson, Inc., Los Angeles, Calif.
June 4 (letter of notification) 50,000 shares of common stock (par 40 cents). **Price**—$1.20 per share. **Underwriter**—Edgerton, Wykoff & Co., Los Angeles, Calif. **Proceeds**—To purchase real property and plant.

★ **Dumont Electric Corp.**
Aug. 10 (letter of notification) 40,000 shares of cumulative convertible preferred stock (par $1) being offered to common stockholders of record Aug. 13 at rate of one preferred share for each 10 common shares held; rights to expire Sept. 5. **Price**—$4.75 to stockholders and $5 per share to public. **Underwriter**—Aetna Securities Corp., New York. **Proceeds**—For expansion and for development of new products.

Equipment Finance Corp., Charlotte, N. C.
Aug. 6 (letter of notification) 2,774 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For operating capital. **Office**—1026 So. Boulevard, Charlotte, N. C.

★ **Fleming Co., Inc., Topeka, Kansas**
Aug. 14 (amendment) filed 2,000 shares of 5% cumulative preferred stock (par $100) and 9,000 shares of common stock (par $25), of which 3,000 shares of common stock are to be offered for a period of 10 days to common stockholders, officers and employees and 2,000 shares of preferred and 6,000 shares of common publicly together with any of the unsubscribed 3,000 common shares. The underwriters have an option to purchase the preferred at $100 per share and the common at $36 per share. **Price**—On exercise of rights, $36 per share for common, and to public at $103 per share for the preferred and $37.50 per share for the common stock. **Underwriters**—Beecroft, Cole & Co. Inc.; The Columbian Securities Corp.; Seltsam-Hanni & Co., Inc. and Estes & Co., all of Topeka, Kan. **Proceeds**—For working capital. Statement effective Aug. 24.

Food Machinery & Chemical Corp.
June 13 filed 100,000 shares of common stock (par $10) to be offered to employees. **Price**—To be based on market on New York Stock Exchange (about $34.50 per share). **Underwriter**—None. **Proceeds**—For general corporate purposes. Statement effective June 29.

Fosgate Citrus Concentrate Cooperative (Fla.)
June 29 filed 453 shares of class A common stock (par $100); 5,706 shares of 5% class B preferred stock (par $100), cumulative beginning three years from July 10, 1950; 8,000 shares of 4% revolving fund class C stock (par $100); 2,000 shares of 4% revolving fund class C stock (par $50); and 4,000 shares of 4% revolving fund class C stock (par $25). **Price**—At par. **Underwriters** —None. **Proceeds**—To construct and equip frozen concentrate plant at Forest City, Fla.

Fox (Peter) Brewing Co., Chicago, Ill.
July 24 (letter of notification) 5,000 shares of common stock (par $1.25). **Price**—$7.75 per share. **Underwriter**—Thomson & McKinnon, Chicago, Ill. **Proceeds**—To Frank G. Fox, the selling stockholder. **Office**—2626 W. Monroe St., Chicago, Ill.

Fuller (D. B.) & Co., Inc., N. Y.
July 26 filed 120,000 shares of 6% cumulative convertible preferred stock (par $15) and 73,598 shares of common stock (par $1). Latter to be reserved for conversion of

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$5 par 6% cumulative convertible first preferred stock to be called for redemption, with unconverted common shares to be sold to underwriters. **Price**—To be supplied by amendment. **Underwriter**—F. Eberstadt & Co., Inc., New York. **Proceeds**—From sale of preferred stock together with other funds, will be used to repay $2,000,000 outstanding 4% notes due March 16, 1954, and to redeem 36,799 shares of outstanding preferred stock at $5.50 per share. **Meeting**—Stockholders will vote at an adjourned meeting Sept. 7 on the proposed financing program. **Offering**—Not expected until after Labor Day.

★ **Glen Roger Credit, Inc., Washington, D. C.**
Aug. 16 (letter of notification) 60,000 shares of 30-cent dividend class A stock (par $1). **Price**—$5 per share. **Underwriter** — John C. Kahn Co., Washington, D. C. **Proceeds**—For working capital. **Office**—1108 16th St., N. W., Washington, D. C.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen, New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set.

Gould-National Batteries, Inc. (9/6)
Aug. 17 filed 65,000 shares of cumulative preferred stock (par $50-convertible on or before Dec. 31, 1966). **Price**—To be supplied by amendment (expected at $52.50 per share). **Underwriter**—Glore, Forgan & Co., New York. **Proceeds**—To finance expansion program and for working capital.

Grand Union Co., New York
Aug. 7 filed 64,000 shares of common stock (par $10) to be issued pursuant to an "employees' restricted stock option plan." **Price** — To be supplied by amendment. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—50 Church St., New York.

Helio Aircraft Corp., Norwood, Mass.
July 31 (letter of notification) 7,750 shares of non-cumulative preferred stock (par $1) and 7,750 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$25 per unit ($20 for preferred and $5 for common). **Underwriter**—None. **Proceeds**—For development and promotion expenses. **Office**—Boston Metropolitan Airport, Norwood, Mass.

Hex Foods, Inc., Kansas City, Mo.
Aug. 1 (letter of notification) 89 shares of 6% cumulative preferred stock (par $100) and 424 shares of common stock (no par). **Price**—For preferred, at par; and for common, at $20 per share. **Underwriter** — Prugh, Combest & Land, Inc., Kansas City, Mo., will act as dealer. **Proceeds**—For plant improvements and general corporate purposes. **Office**—412 W. 39th St., Kansas City, Mo.

★ **Hilton Hotels Corp., Chicago, Ill.**
March 30 filed 153,252 shares of common stock (par $5) now offered to holders of common stock of Hotel Waldorf-Astoria Corp. in exchange for their holdings of such stock on a share-for-share basis; offer expires on Sept. 26. **Dealer - Manager** — Carl M. Loeb, Rhoades & Co., New York.

Keever Starch Co., Columbus, Ohio
Aug. 1 (letter of notification) 50,400 shares of common stock. **Price** — At par ($5 per share). **Underwriter**—None. **Proceeds**—To finance inventories and to purchase capital equipment. **Office**—538 E. Town St., Columbus, Ohio.

Kingsburg Cotton Oil Co., Kingsburg, Calif.
Aug. 8 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At market "between $4.12½ and $4.25 per share." **Underwriter**—The Broy Co., San Francisco, Calif. **Proceeds**—To Leonard A. Gregory and Willie R. Gregory, two selling stockholders.

Los Angeles Drug Co. (Calif.)
July 23 filed $500,000 of 15-year 5% sinking fund debentures dated Oct. 1, 1951 and due Oct. 1, 1966, and 40,000 shares of capital stock (no par), to be offered first to present stockholders (debentures to be offered are to be subject to prior issuance to shareholders in payment of a dividend in aggregate amount of $300,000). **Price**—Of debentures, at par (in denominations of $100 each) and of the stock, $10 per share. **Underwriter**—None. **Proceeds** — To increase working capital and to finance expanded merchandise inventory.

Loven Chemical of California
June 15 (letter of notification) 86,250 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Los Angeles, Calif. **Proceeds**—For working capital. **Office**—244 So. Pine St., Newhall, Calif.

Lowell Adams Factors Corp.
Aug. 9 (letter of notification) 126,300 shares of common stock (par 10 cents) being offered to common and preferred stockholders of record Aug. 15 and to certain holders of company's short-term paper; rights expire Aug. 31. **Price**—$2 per share to aforementioned holders and $2.37½ per share to public. **Underwriters** — Louis L. Rogers Co. and Graham, Ross & Co., Inc., New York. **Proceeds**—For working capital.

Lytton's, Henry C. Lytton & Co., Chicago, Ill.
July 24 (letter of notification) 3,000 shares of common stock (par $1). **Price**—$6.87 per share. **Underwriter**—Straus & Blosser, Chicago, Ill. **Proceeds**—To Martin S. Goldring, a director, who is the selling stockholder. **Office**—235 So. State St., Chicago, Ill.

Mercantile Acceptance Corp. of California
May 18 (letter of notification) 4,881 shares of first preferred stock. **Price**—At par ($20 per share). **Underwriter**—Guardian Securities Corp. **Proceeds**—For general corporate purposes.

★ **Mutual Telephone Co. (Hawaii) (9/24-25)**
July 27 filed 150,000 shares of common stock (par $10) to be offered for subscription by common stockholders on a one-for-five basis, with a 14-day standby; and to employees. **Price**—To be supplied by amendment (expected at $10 per share). **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—To pay outstanding bills and for construction program.

New England Gas & Electric Ass'n (9/18)
Aug. 6 filed $6,115,000 of 20-year sinking fund collateral trust bonds, series C, due 1971. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co. **Proceeds**—To purchase additional common stocks of five subsidiaries. **Bids**—To be received up to 11:30 a.m. (EDT) on Sept. 18 at 10 Temple St., Cambridge, Mass.

Newman Associates, Inc. (name to be changed to Sheeld, Inc.), Dallas, Tex.
July 30 (letter of notification) 10,000 shares of preferred stock (no par) and 50,000 shares of common stock (par two cents) to be offered in units of one preferred and five common shares. This includes 33,000 common shares for account of Hal C. Newman, President of the company. **Price**—$10.10 per unit. **Underwriter**—Southwestern Securities Co., Dallas, Tex. **Proceeds**—To purchase assets of Sterling Industries, Inc., to retire bank loans and pay accounts payable, and for working capital. **Office**—1400 Marilla St., Dallas, Tex.

★ **Norris Oil Co., Bakersfield, Calif.**
Aug. 10 (letter of notification) 500 shares of capital stock (par $1). **Price**—$4.75 per share. **Underwriter**—Walston, Hoffman & Goodwin, Bakersfield, Calif. **Proceeds**—To Arthur W. Scott, Secretary, who is the selling stockholder. No general public offering is planned.

Old Colony Finance Corp., Mt. Rainier, Md.
June 1 (letter of notification) $250,000 of 6% subordinated debentures with stock purchase warrants attached. The latter will entitle holders thereof to purchase one share of common stock at $4 per share for each $100 of debentures owned. **Price**—At par (in denominations of $100, $500 and $1,000 each). **Underwriter**—None. **Proceeds**—For working capital. **Office**—3219 Rhode Island Avenue, Mt. Rainier, Md.

Pan American Milling Co., Las Vegas, Nev.
Jan. 24 filed 200,000 shares of common stock. **Price**—At Par ($1 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and equipment, to construct a mill in Mexico and for general corporate purposes. Statement effective June 26 through lapse of time; amendment necessary.

Peabody Coal Co.
March 26 filed 160,000 shares of 5½% prior preferred stock (par $25). **Price**—To be supplied by amendment. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—For construction program. **Offering**—Indefinitely postponed.

Philadelphia Suburban Transportation Co.
June 11 (letter of notification) $300,000 of 4½% convertible debentures of 1967 (each $100 principal amount convertible into three shares of common stock). **Price**—At par. **Underwriter**—None. **Proceeds**—For working capital. **Office**—69th Street Terminal, Upper Darby, Pennsylvania.

Pittsburgh Plate Glass Co.
June 27 filed 450,000 shares of common stock (par $10) to be offered to certain employees of the company and its subsidiaries under a stock option plan. **Price**—At 85% of the market price on the New York Stock Exchange at time options are granted. **Underwriter**—None. **Proceeds**—For working capital.

Polymer Industries, Inc., Astoria, N. Y.
July 30 (letter of notification) 10,000 shares of 6% cumulative preferred stock (par $5) and 20,000 shares of common stock (par one cent) to be offered in units of one share of preferred and two shares of common to preferred stockholders of record July 27 on the basis of two units for each five shares held; rights will expire on Sept. 1. **Price**—$5.02 per unit. **Underwriter**—None. **Proceeds**—For expansion program and working capital.

Reading Tube Corp., Long Island City
June 5 filed $1,859,256 of 20-year 6% sinking fund debentures due July 1, 1971, and 66,402 shares of class B stock (par 10 cents) being offered in exchange for 265,608 shares of outstanding class A cumulative and participating stock (par $6.25) on the basis of $7 principal amount of debentures and one-fourth of a share of class B stock for each class A share held; offer extended to expire on Sept. 5. **Dealer-Manager**—Aetna Securities Corp., New York. Statement effective June 29. Plan declared effective on Aug. 14.

Riverside Stadium, Inc., Riverside, Mo.
July 12 (letter of notification) $250,000 of 15-year 5% debenture notes and 25,000 shares of common stock (par $1) to be offered in units of one $100 note and 10 shares of stock. **Price**—$100 per unit and accrued interest. **Underwriter** — Wahler, White & Co., Kansas City, Mo. **Proceeds**—To retire outstanding obligations. **Offering**—Temporarily postponed.

★ **Roper (Geo. D.) Corp.**
Aug. 8 (letter of notification) 4,000 shares of common stock (par $5). **Price** — $24.75 per share. **Distributor** — Merrill Lynch, Pierce, Fenner & Beane, Chicago, Ill. **Proceeds**—To Grace Y. Roper, the selling stockholder. **Office**—340 Blackhawk Park, Rockford, Ill.

Sanders Associates, Inc., Waltham, Mass.
Aug. 2 (letter of notification) 60,000 shares of class A common stock. **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For purchase and/or rental of operating facilities such as electronic test equipment, machine tools, and office equipment and for working capital to enable the taking and completing of prime government and sub-contracts pertaining to guided missiles, electronics, and related fields. **Office**—135 Bacon St., Waltham, Mass.

Schenley Industries, Inc., N. Y.
Aug. 17 (letter of notification) 2,935 shares of common stock (par $1.40). **Price**—$33.75 per share. **Underwriter**—None, but Wagner, Stott & Co., New York, will act as broker. **Proceeds**—To Lewis S. Rosenstiel, Chairman, who is the selling stockholder. **Office**—350 Fifth Ave., New York 1, N. Y.

Sheeld, Inc., Dallas, Tex.
See Newman Associates, Inc. above.

★ **Slick Airways, Inc., Burbank, Calif.**
Aug. 14 filed 147,301 shares of common stock to be offered for sale as follows: 87,906 shares to holders of presently outstanding Employee Option Warrants and 59,395 shares to holders of Stockholders Option Warrants. **Price**—At par ($10 per share). **Underwriter**—Probably F. S. Moseley & Co. **Proceeds** — To purchase new equipment and for other corporate purposes.

Snoose Mining Co., Hailey, Idaho
July 19 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Underwriter**—E. W. McRoberts & Co., Twin Falls, Ida. **Proceeds**—For development of mine.

Snyder Chemical Corp., Bethel, Conn.
Aug. 8 (letter of notification) 7,625 shares of common stock (par one cent). **Price**—$4.50 per share. **Underwriter**—Coburn & Middlebrook, Hartford, Conn. **Proceeds**—To Francis H. Snyder, President, who is the selling stockholder.

★ **South State Uranium Mines Ltd. (Canada)**
April 9 filed by amendment 384,000 shares of capital stock. **Price** — At par ($1 per share). **Underwriter-Optionee**—Robert Irwin Martin of Toronto. **Proceeds**—For commissions, exploration and development expenses, and working capital. Statement effective Aug. 23.

Southern Colorado Power Co.
Aug. 9 (letter of notification) 30,970 shares of common stock (no par), being offered to common stockholders of record Aug. 16 at rate of one share for each 22 shares held, with an oversubscription privilege; rights expire on Aug. 30. **Price**—$9 per share. **Underwriter**—None, but company will compensate NASD members who assist stockholders in exercise of warrants. **Proceeds**—To retire bank loans or reimburse the company's treasury for expenditures for plant additions and improvements.

Southwestern Associated Telephone Co.
June 15, filed 17,500 shares of $5.50 cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York, and Rauscher, Pierce & Co., Inc., Dallas, Texas. **Proceeds**—To retire $1,500,000 of bank loans and the balance added to general corporate funds. **Offering** — Postponed.

★ **Spencer Chemical Co., Kansas City, Mo.**
Aug. 3 filed 125,000 shares of 4.50% cumulative convertible second preferred stock (par $50) being offered to common stockholders in ratio of one share of preferred for each eight common shares held Aug. 27, with rights expiring Sept. 11. **Price** — $50 per share and accrued dividends. **Underwriters** — Morgan Stanley & Co. and Glore, Forgan & Co., New York. **Proceeds**—From sale of stock, together with $5,100,000 from institutional investors, will be used to pay part of cost of construction of new chemical works.

★ **Tennessee Gas Transmission Co. (9/11)**
Aug. 10 filed $45,000,000 of first mortgage pipe line bonds due 1971. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Proceeds**—To retire short-term notes and for expansion program.

Texas Southeastern Gas Co., Bellville, Tex.
May 16 (letter of notification) 19,434 shares of common stock to be offered to common stockholders through transferable warrants. **Price** — At par ($5 per share). **Underwriter**—None. **Proceeds**—For working capital.

United Canadian Oil Corp., Washington, D. C.
July 31 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For exploration and drilling activities.

United States Gasket Co.
July 25 (letter of notification) $100,000 to $200,000 of 4% or 6% convertible preferred stock, or a mortgage loan of that amount. **Underwriter**—None. **Proceeds**—To erect new plants, and purchase equipment. **Office**—602 North 10th Street, Camden, N. J.

Utah Power & Light Co. (9/19)
Aug. 9 filed 175,000 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co. Inc.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Bros. and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce Fenner & Beane (jointly). **Proceeds**—To repay bank loans and to provide additional construction funds. **Bids**—To be opened at 11 a.m. (EDT) on Sept. 19.

Utah Power & Light Co. (10/29)
Aug. 9 filed $9,000,000 first mortgage bonds, due Oct. 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers, and Bear, Stearns & Co. (jointly); White, Weld & Co.; Salomon Bros. & Hutzler; First Boston Corp., and Blyth & Co., Inc. (jointly); Union Securities Corp., and Smith, Barney & Co. (jointly). **Proceeds**—To repay bank loans and

for construction program. **Bids**—To be received up to noon (EST) on Oct. 29.

Van Lake Uranium Mining Co., Van Dyke, Mich.
June 7 filed 100,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—Titus Miller & Co., Detroit, Mich. **Proceeds** — For exploration and drilling of mining claims. **Office**—23660 Van Dyke Avenue, Van Dyke, Mich. **Offering**—Expected soon.

Western Reserve Life Insurance Co.
June 12 (letter of notification) 10,000 shares of common stock (par $10) to be offered for subscription by present stockholders at rate of one share for each two shares held. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For financing expansion program. **Office**—1108 Lavaca Street, Austin, Tex.

Wilson Brothers, Chicago, Ill.
Aug. 3 filed $2,200,000 of 5% sinking fund debentures due Aug. 1, 1966, with non-detachable common share purchase warrants for the purchase of 154,000 shares of common stock. **Price**—To be supplied by amendment. **Underwriter**—Blair, Rollins & Co., Inc., New York. **Proceeds**—To pay off outstanding indebtedness and for other corporate purposes. **Offering**—Temporarily postponed.

Prospective Offerings

• American Export Lines, Inc.
Aug. 20 it was reported that a registration statement may be filed late in September covering approximatly 70,000 shares of common stock (par 40 cents). **Underwriter**—Probable Union Securities Corp., New York. **Proceeds**—To selling stockholders.

American President Lines, Ltd.
May 27, Charles Sawyer, Secretary of Commerce, proposed the public sale to the highest bidder of the stock of this company now held by the Department of Commerce. The proceeds would be placed in escrow until the Courts decide whether the stock rightfully belongs to the Government or to the Dollar interests.

Arkansas Power & Light Co. (10/9)
July 16 it was announced that company plans issuance and sale of $8,000,000 additional first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp. and Central Republic Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co. **Proceeds**—For construction program, estimated to cost about $20,000,000 in 1951. **Bids**—Expected to be opened about Oct. 9.

Arkansas Western Gas Co.
July 10 stockholders approved issuance of $1,350,000 first mortgage bonds and increased authorized common stock from 300,000 to 500,000 shares (of which 289,706 shares are outstanding). Bonds will probably be sold privately, and proceeds used to redeem $420,000 of 3¾% debentures and retire $197,500 bank loans, with the balance for construction program. No common stock financing is contemplated at present.

Associated Telephone Co., Ltd. (Calif.)
July 3 it was announced that tentative plans call for the sale later this year of $8,000,000 additional first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co., Kidder, Peabody & Co. and Shuman, Agnew & Co. (jointly); Harris, Hall & Co., Inc. and Equitable Securities Corp. (jointly). **Proceeds** — For construction program.

Beaunit Mills, Inc.
June 26 stockholders approved issuance and sale of 100,000 shares of $5 cumulative preferred stock (no par). **Underwriters**—Probably White, Weld & Co. and Kidder, Peabody & Co. **Proceeds**—From sale of stock, together with $15,000,000 from bank loans and $3,000,000 from other sources, to be used to finance construction of a rayon tire yarn plant at Coosa Pines, Ala., and for working capital. **Offering**—May be made privately.

Canadian Atlantic Oil Co., Ltd.
Aug. 7, it was reported company expects to file in the near future a registration statement with the SEC covering approximately 1,150,000 shares of common stock (par $2), following merger, which will be voted upon Sept. 4, into Atlantic Oil Co., Ltd. (a subsidiary of Pacific Petroleums, Ltd.), of Princess Petroleums, Ltd. (an affiliate of Pacific Petroleums) and Allied Oil Producers, Ltd., the consolidated company to change its name to Canadian Atlantic Oil Co., Ltd. **Underwriter**—Reynolds & Co., New York.

Carolina Natural Gas Corp., Charlotte, N. C.
Feb. 20 a fourth amended application was filed with the SEC for authority to build a natural gas pipeline system to serve certain areas in North and South Carolina. Estimated cost of the proposed facilities is $3,595,295, to be financed by the sale of first mortgage bonds and the issuance of junior securities. Underwriters may include R. S. Dickson & Co., Charlotte, N. C.

Central Illinois Light Co.
Aug. 10, it was reported company plans to issue and sell about $7,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Union Securities Corp.; Equitable Securities Corp.; Harriman Ripley & Co., Inc. **Proceeds**—For new construction and to repay bank loans. **Offering**—Expected in September.

Central & South West Corp.
Aug. 13 it was reported company plans to issue and sell about 500,000 shares of common stock (par $5). **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Smith, Barney & Co.; Harriman Ripley & Co., Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co.; Carl M. Loeb, Rhoades & Co.; Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly). **Proceeds**—To be used to assist subsidiaries to finance a part of their construction programs. **Registration**—Expected about Sept. 10. **Bids**—To be opened early in October.

Central Telephone Co., Chicago, Ill.
Aug. 14 company announced it plans to offer early in September to holders of its common stock (other than Central Electric & Gas Co.) an additional 26,000 shares of common stock, with an over subscription privilege. **Price**—About $10.25 or $10.50 per share. **Underwriter**—None, but participating dealers in securities will be compensated.

Central Vermont Public Service Corp.
Aug. 1 it was announced that the company expects to obtain before the end of 1952 additional permanent financing, including equity financing. It is estimated that about $3,400,000 will be required to take care of additional construction expenditures to the end of next year.

Chesapeake & Ohio Ry. (9/12)
Bids will be received up to noon (EDT) on Sept. 12 for the purchase by the company of $6,300,000 of equipment trust certificates to mature semi-annually over 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago District Pipeline Co.
May 22 it was announced that this company (a subsidiary of Peoples Gas Light & Coke Co.) may find it necessary to construct a 30-inch pipeline from Volo, Ill., to near Mt. Prospect, Ill., at a cost estimated at approximately $1,650,000. The amount and character of the financing are not now known. Bond financing in March, 1950, was placed privately.

★ Chicago, Rock Island & Pacific Ry. (9/18)
Bids are expected to be received by the company on Sept. 18 for the purchase from it of an issue of about $5,700,000 equipment trust certificates, series J, to mature semi-annually from April 1, 1952 to Oct. 1, 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago & Western Indiana RR.
June 2 it was reported company expects to be in the market late this year or early in 1952 with a new issue of approximately $70,000,000 of first mortgage bonds, due 1981, of which about $65,000,000 will be sold initially. **Price**—Not less than par. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co. **Proceeds**—To refund $49,988,000 of 4% non-callable consolidated first mortgage bonds due July 1, 1952, and to redeem $13,747,000 first and refunding mortgage 4¼% bonds, series D, due Sept. 1, 1962. The remainder will go towards property improvements, etc.

Colorado Fuel & Iron Corp.
Aug. 15, it was reported that company plans erection of a $30,000,000 mill at Pueblo, Colo., which may be financed partly by private placement and partly by public offering. Traditional underwriter: Allen & Co., New York.

★ Colorado Interstate Gas Co.
Aug. 20 it was reported that the holdings of the Union Securities Corp. group of stock of Colorado Interstate (531,250 shares) will probably be sold publicly in October or November.

Commonwealth Edison Co.
May 22 Charles Y. Freeman, Chairman, announced that the company's scheduled construction program for the 1951-54 period calls for the expenditure of about $450,000,000, of which it is estimated that $200,000,000 will be provided out of cash resources at the end of 1950. This means that additional capital of about $250,000,000 will be required through 1954. Neither the timing nor the nature of this new financing have yet been determined. Probable bidders for bonds or debentures: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Morgan Stanley & Co.

Consolidated Edison Co. of New York, Inc.
March 23 company applied to New York P. S. Commission for authority to issue and sell $25,000,000 of first and refunding mortgage bonds, series H, due May 1, 1981 (in addition to $40,000,000 series G bonds filed with the SEC on March 30). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Proceeds** — To redeem a like amount of Westchester Lighting Co. 3½% general mortgage bonds due 1967. **Offering**—Postponed.

• Consumers Power Co. (Mich.)
Aug. 24, Justin R. Whiting, President, announced that the company proposes to offer and sell to its common stockholders on a 1-for-10 basis an additional 561,517 shares of common stock (no par). It is expected that the offer will be underwritten. Morgan Stanley & Co., New York, acted as dealer-manager in a common stock offering to stockholders last October. Proceeds are to be used to finance in part the 1952 portion of the company's expansion program. It will be necessary to issue additional securities in 1952, the exact nature and amount of which have not been determined.

Continental Can Co., Inc.
Aug. 7 it was reported that the company may offer a combination of securities later this year. **Probable Underwriter**—Goldman, Sachs & Co., New York.

• Cott Beverage Corp., New Haven, Conn. (9/15)
Aug. 22 it was stated that the company plans issuance and sale of 30,000 shares of preferred stock (par $10), each share to carry a bonus of common stock. **Underwriter**—Ira Haupt & Co., New York. **Proceeds**—For expansion program.

Delaware River Development Corp. (N. J.)
June 20 FPC decided to issue a one-year preliminary permit to the corporation for investigation of the proposed development of a hydroelectric project on the Delaware River in New Jersey, Pennsylvania and New York, estimated to cost $47,000,000. Early last year, it was announced that the proposed project would be financed through the issuance of $28,200,000 of bonds, $14,100,000 of preferred stock, $4,700,000 of convertible common stock and 100,000 shares of no par value common stock.

Denver & Rio Grande Western RR.
April 12, Wilson McCarthy, President, stated that due to prevailing market conditions, the company has postponed to an undetermined date the taking of bids for the purchase of $40,000,000 first mortgage bonds to be dated May 1, 1951, and to mature on May 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Bear, Stearns & Co. (jointly). **Proceeds** — Together with treasury funds, to redeem on June 1, 1951, $35,062,200 oustanding first mortgage 3%-4% bonds, series A, and $8,666,900 of Denver & Salt Lake income mortgage 3%-4% bonds, both due Jan. 1, 1993.

Derby Gas & Electric Corp.
July 16 corporation received SEC authority to issue and sell $900,000 of debentures to mature July 1, 1957 (placed privately with an institution) but reserved jurisdiction over the proposed issuance of approximately 12,500 additional shares of common stock (latter to be offered to public pursuant to a negotiated transaction). To be selected through competitive negotiation. Probable bidders: Allen & Co.; Union Securities Corp.; Smith Ramsay & Co.; Hincks Bros. and Paine, Webber, Jackson & Curtis (jointly). **Proceeds**—To be applied toward 1951 construction program. **Offering**—Expected late in September.

East Tennessee Natural Gas Co.
July 17 company filed an amended application in connection with a proposal to extend its natural gas transmission system to several Tennessee communities and industrise at an estimated cost of approximately $5,200,000 to be financed by the issuance and sale of first mortgage pipe line bonds. Latter may be placed privately. Traditional underwriter: White, Weld & Co., New York.

El Paso Natural Gas Co.
Aug. 10, it was announced that stockholders will vote Sept. 18 on increasing the first preferred stock from 100,000 to 300,000 shares, the second preferred stock from 200,000 to 300,000 shares and the common stock from 3,800,000 to 5,000,00 shares; also to authorize an increase in the aggregate principal amount of bonds issuable under the company's indenture of mortgage, dated June 1, 1946, from $157,00,000 to $300,000,000. **Traditional Underwriter**—White, Weld & Co., New York.

• Goodall-Sanford, Inc.
Aug. 23 it was reported that company was understood to be planning additional financing. Traditional underwriter: Union Securities Corp., New York.

Hahn Aviation Products, Inc.
Aug. 24 it was announced company proposes to offer 12,500 additional common stock (par $1), in addition to 17,500 shares filed by letter of notification with SEC—see above. **Underwriter**—None. **Proceeds**—For engineering, acquisition of machinery and other corporate purposes. **Office** — 2636 No. Hutchinson St., Philadelphia 33, Pa.

Harshaw Chemical Co. (9/20)
July 27 it was reported that the company plans to issue and sell $4,000,000 of cumulative convertible preferred stock. **Underwriter**—McDonald & Co., Cleveland, O. **Offering**—Expected about Sept. 20.

★ Hathaway (C. F.) Co., Waterville, Me.
Aug. 18, it was stated that the company plans to issue and sell 12,000 additional shares of 5.8% preferred stock (par $25), which will carry warrants entitling the holders thereof to purchase 1½ shares of common stock. Stockholders will be asked to increase the authorized number of shares of preferred stock from 20,000 to 40,000. **Price**—To be named later. **Underwriter**—Probably H. M. Payson & Co., Portland, Me. **Proceeds**—For working capital.

★ Idaho Power Co.
Aug. 23 the FPC authorized company to issue and sell $15,000,000 first mortgage bonds due 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Lazard Freres and The First Boston Corp. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Harriman Ripley & Co., Inc.; Lehman Brothers. Proceeds will be used for additions and improvements to the company's properties.

Illinois Bell Telephone Co.
June 27 W. V. Kahler, President, announced that this company (approximately 99.31% owned by American

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Telephone & Telegraph Co.) plans issuance and sale, sometime before the end of the year, of 682,454 additional shares of capital stock to its stockholders. **Underwriter**—None. **Proceeds**—To repay short-term loans and for new construction.

International Bank for Reconstruction and Development ("World Bank")
Aug. 21 it was reported that new financing of about $100,000,000 long-term bonds is expected early in September. **Underwriters**—First National Bank of Chicago and Halsey, Stuart & Co. Inc., (jointly) and others.

International Refineries, Inc. (9/18)
Aug. 14, it was announced company will finance the construction of a $7,000,000 oil refinery near the cities of Duluth, Minn., and Superior, Wis., by the public sale of securities, which is expected to include an issue of $3,000,000 10- or 12-year debentures and 750,000 shares of common stock in units—probably to consist of about $20 principal amount of debentures and five shares of stock at $25 per unit (in addition to the private placement of an issue of $4,000,000 first mortgage bonds). **Underwriters**—Eastman, Dillon & Co., New York, and Southwest Co., Dallas Texas. **Proceeds**—For construction costs and working capital. **Offering** — Expected around the middle of September, with registration with SEC in a few days. **Office**—Minneapolis, Minn.

Kansas City Power & Light Co.
June 12, Harry B. Munsell, President, announced company hopes to issue and sell within the next two years $12,000,000 of bonds, $10,000,000 of additional preferred stock and $8,000,000 of additional common stock to finance its construction program for 1951-1952. Stockholders voted July 11 to increase the authorized preferred stock from 200,000 to 350,000 shares and the authorized indebtedness by $12,000,000. Probable bidders for preferred stock: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Smith, Barney & Co.; The First Boston Corp.; White Weld & Co., Shields & Co. and Central Republic Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp. and Stern Bros. & Co. (jointly). Probable bidders for common stock; Lehman Brothers; Glore, Forgan & Co.; Harriman Ripley Co., Inc. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Shields & Co. and Central Republic Co. (jointly); Glore, Forgan & Co.; Smith, Barney & Co.; Kuhn, Loeb & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp.; Equitable Securities Corp.; Harriman Ripley & Co., Inc.

Kansas Gas & Electric Co.
May 24 Murray F. Gill, Chairman of the board, announced that the company's present construction program calls for expenditures of more than $8,000,000 in 1951. To finance part of the expansion program, company may sell $5,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). There is a possibility that company may also decide to refund its outstanding $16,000,000 first mortgage 3⅜% bonds due 1970 (held by a group of insurance companies) and $5,000,000 first mortgage 3⅛% bonds due 1978.

Liberty Broadcasting System, Dallas, Texas
July 18, Barton R. McClendon, Chairman, announced company expects in a few weeks to raise about $3,000,000, probably through the sale of additional common stock. It has not been decided whether the financing will be done privately or publicly.

Long Island Lighting Co.
June 25 it was reported that the company's next step in its financing program may include the sale of approximately $15,000,000 of preferred stock. Probable bidders may include Blyth & Co., Inc.

Marine Midland Corp., Buffalo, N. Y. (9/26)
Aug. 16 it was announced company plans to offer to its stockholders the right to subscribe to 223,352 shares of new cumulative convertible preferred stock (par $50) on a basis of one share of preferred for each 25 shares of common stock held on or about Sept. 26; rights to expire Oct. 16. **Price**—To be supplied by amendment. **Underwriters**—The First Boston Corp.; Union Securities Corp. and Granbery, Marache & Co. of New York; and Schoellkopf, Hutton & Pomeroy, Inc. of Buffalo, N. Y. **Proceeds**—To permit acquisition of an additional bank or banks to expand the capital funds of one or more of the constituent banks, and for general corporate purposes. **Meeting**—Stockholders will vote Sept. 20 on approving the proposed financing. **Registration**—Expected about Sept. 7.

McKesson & Robbins, Inc.
May 24 it was announced stockholders will vote Oct. 23 on a proposal to increase authorized common stock by 500,000 shares to 2,500,000 shares in order to provide for a probable offering of additional stock to common stockholders. Probable underwriter: Goldman, Sachs & Co., New York. Proceeds will be added to working capital.

Mengel Co.
Aug. 10, Alvan A. Voit, President, stated that the company plans to spend from $15,000,000 to $20,000,000 for expansion, but that plans for financing have not yet been completed. Traditional underwriter—F. S. Moseley & Co.

★ National Container Corp.
Aug. 28 it was announced company plans to issue and sell 480,000 shares of $1.25 convertible preferred stock (par $25) and $20,000,000 of 15-year debentures. **Underwriters**—For preferred stock: Van Alstyne Noel Corp.; and for debentures: Halsey, Stuart & Co. Inc. and Van Alstyne Noel Corp. **Proceeds**—To redeem $6,175,000 notes and for new construction. **Meeting**—Stockholders will vote Sept. 18 on approving new preferred stock issue.

● Natural Oil & Gas Corp.
Aug. 29 it was reported company may issue and sell about 900,000 shares of common stock. **Underwriter**—Probably Union Security Corp., New York.

Pacific Power & Light Co.
June 29 it was announced company plans issuance and sale of $15,000,000 of mortgage bonds in the early part of 1952. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blair, Rollins & Co. Inc. and Carl M. Loeb, Rhoades & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp.; Kidder, Peabody & Co.; Blyth and Co., Inc., White, Weld & Co. and Harris, Hall & Co., Inc. (jointly).

Pacific Telephone & Telegraph Co. (11/9)
Aug. 15 it was announced company plans to issue and sell $30,000,000 of 30-year debentures and 633,274 additional shares of common stock at par ($100 per share) to present stockholders at rate of one new share for each nine shares held. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers and Union Securities Corp. (jointly); White, Weld & Co. Proceeds will be used to repay bank loans and for expansion program.

Parkersburg Rig & Reel Co.
Aug. 1 A. Sidney Knowles, Chairman and President, announced that the directors have approved in principle a plan to offer a modest amount (not exceeding $300,000) of common stock for subscription by common stockholders. This may involve the issuance of 24,700 additional shares on a one-for-eight basis. There are presently outstanding 197,600 shares of $1 par value. **Probable Underwriter**—H. M. Byllesby & Co., Chicago, Ill. **Proceeds**—For working capital.

Pennsylvania Electric Co. (10/9)
Aug. 16 company filed with SEC a proposal to issue and sell $5,000,000 of additional first mortgage bonds and 30,000 additional shares of cumulative preferred stock (par $100), together with 165,000 additional shares of common stock (latter issue to be sold to Associated Electric Co. for an aggregate of $3,300,000). **Underwriters**—For bonds and preferred stock to be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co.; Lehman Brothers and Drexel & Co. (jointly); Harriman Ripley & Co., Inc.; A. C. Allyn & Co., Inc.; Shields & Co. and R. W. Pressprich & Co. (jointly). Probable bidders for preferred stock: W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Smith, Barney & Co.; Kidder, Peabody & Co.; Harriman, Ripley & Co., Inc. **Proceeds**—To repay bank loans and to reimburse the treasury for capital expenditures already made or to be made. Construction expenditures for the last half of 1951 are estimated at $10,000,000. **Bids**—Tentatively expected to be opened on Oct. 9.

Pennsylvania Water & Power Co.
July 25, stockholders approved issuance of 78,507 shares of cumulative preferred stock (par $100). Proceeds will be used for expansion program.

Aug. 7, it was reported company may issue and sell $8,000,000 to $10,000,000 of first mortgage bonds. Probable bidders may include: Halsey, Stuart & Co. Inc.; Lehman Brothers; White, Weld & Co. Proceeds will be used for expansion program. Financing not considered imminent.

● Public Service Co. of Colorado
Aug. 23 it was reported company plans issuance and sale of $15,000,000 first mortgage bonds late in September or early in October. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Glore, Forgan & Co.; Harriman Ripley & Co., Inc.

Public Service Co. of Indiana, Inc.
June 25 it was reported that company may do some permanent financing "when market conditions permit." Earlier this year arrangements were made with eight banks for borrowing up to $40,000,000 on promissory notes bearing interest at 2½%. Of this total, it is planned to use $13,000,000 in 1951, $14,000,000 in 1952 and $13,000,000 in 1953. **Underwriters**—May be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; The First Boston Corp.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. Probable Bidders for preferred stock: Blyth & Co., Inc.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc. **Proceeds**—To retire bank loans incurred in connection with construction program.

Public Service Co. of North Carolina, Inc.
July 12 it was announced company plans to issue and sell several million dollars of first mortgage bonds in the Fall. In July last year, $1,200,000 of bonds were placed privately with two institutional investors.

Rochester Gas & Electric Corp.
Aug. 1 it was announced that company expects to issue $5,000,000 additional first mortgage bonds and additional debt securities or preferred or common stocks, bank borrowings, or some combination thereof, in connection with its construction program. The method of obtaining such additional cash requirement has not been determined. Previous bond financing was done privately.

Rochester Telephone Corp.
July 18, it was reported that the company expects to raise money through the sale of some preferred stock later this year. **Underwriter**—Probably The First Boston Corp., New York. **Proceeds**—To finance, in part, a $10,000,000 construction program the company has budgeted for the next two years.

Rockland Light & Power Co.
July 19, Rockwell C. Tenney, President, announced that the company is planning the issue and sale this Fall of approximately $6,000,000 of first mortgage bonds, series D. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Kidder, Peabody & Co.; Union Securities Corp. and White, Weld & Co. (jointly); Lehman Brothers and A. C. Allyn & Co. (jointly); Stone & Webster Securities Corp.; Carl M. Loeb, Rhoades & Co. and Equitable Securities Corp. (jointly). **Proceeds**—For expansion program.

Ryan Aeronautical Co., San Diego, Calif.
Aug. 4 it was announced company plans to increase its authorized capital stock (par $1) from 500,000 to 1,000,000 shares in order to place it in a position to do appropriate financing of some form of its own securities if and when advantageous to the company. The new financing may take the form of a general offering for sale to the public or granting of rights to stockholders; or the reservation for conversion of long-term indebtedness which could be issued with provision for convertibility into common stock. The company presently has outstanding 439,193 shares of capital stock, of which 45,350 shares are held by the wholly owned subsidiary, Ryan School of Aeronautics.

South Jersey Gas Co.
April 24 Earl Smith, President, announced company plans a bond issue of more than $8,000,000 by fall of this year. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc. **Proceeds**—To refund the presently outstanding $4,000,000 of 4⅛% first mortgage bonds and repay outstanding short-term bank notes which are due before the end of the year.

Southern California Gas Co.
April 4, the company indicated it would this year be in the market with $18,000,000 of senior securities. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Harris, Hall & Co. (Inc.) (jointly). **Offering**—Expected in the Fall.

Southern Natural Gas Co.
July 31 it was announced company has filed an application with FPC for permission to construct additional facilities to cost an estimated $13,641,000, of which approximately $9,187,000 is expected to be spent in 1951.

Southern Pacific Co. (9/6)
Bids will be received by the company at 165 Broadway, New York, N. Y., up to noon (EDT) on Sept. 6 for the purchase from it of $10,920,000 equipment trust certificates, series GG, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Texas & Pacific Ry. (9/5)
Bids will be received and opened at noon on Sept. 5 for the purchase from the company of $2,900,000 equipment trust certificates, series M, to be dated Oct. 1, 1951 and to mature Oct. 1, 1952 to 1961, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; Harris, Hall & Co. (Inc.).

Ultrasonic Corp., Cambridge, Mass.
Aug. 15, stockholders were scheduled to vote on increasing authorized common stock from 200,000 to 400,000 shares. Early registration is expected with offering likely next month. **Probable Underwriter**—Emanuel, Deetjen & Co., New York. Proceeds will be used in connection with acquisition of S. A. Woods Machine Co., Boston, Mass.

● United Gas Corp.
Aug. 1, N. C. McGowan, President, announced that "it will be necessary to arrange for an additional $50,000,000 to complete the total financing, and it is presently anticipated this will be done by the sale of first mortgage and collateral trust bonds during the latter part of the year." **Underwriters**—To be determined by competitive bidding. Bidders for an issue of like amount sold on July 24 were Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co. Inc., and Goldman, Sachs & Co. (jointly). **Proceeds**—For expansion program of United Gas System and for other corporate purposes.

Virginia Electric & Power Co.
May 1 the company announced that it is contemplated that there will be additional financing to an amount approximating $20,000,000, incident to the 1951 construction program, and that further financing will be required in 1952. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; Union Securities Corp.; White, Weld & Co. Expected this fall.

West Texas Utilities Co.
July 26 it was announced company plans to sell $7,000,000 of first mortgage bonds late this Fall. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Hemphill, Noyes, Graham, Parsons & Co. and Drexel & Co. (jointly); The First Boston Corp.; Kidder, Peabody & Co.; W. C. Langley & Co.; Union Securities Corp.; Equitable Securities Corp.; Harriman Ripley & Co.; Lehman Brothers; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For new construction.

Continued from page 5

Spain's Business Set-Up

them into local buildings and real property additions.

Much more can be done in the tourist field, as Ambassador Griffis has brusquely told the Spaniards. The dollar goes a long way for the foreign visitor after he has arrived, but his entry is made to seem somewhat annoying by the fact that Spain is the only country in front of the Iron Curtain which requires visas for American tourists. And transportation is not easy after he has entered.

Ideology versus Hunger

The ideology of the economy of this country, as with others, should be viewed in the light of the actual practical exigencies. While during the current year there has been marked improvement in the wheat crop, and promise thereof in olive and beets, and while the electric power supply has been stepped up considerably; on the other hand, it must not be forgotten that Spain remains a really poor country with agricultural production still below the pre-Civil war level (with two-thirds of the population living off the land, it has dropped 20% since 1935), with a great shortage of capital goods, with per capita income having steadily declined since 1939, and with overhanging inflation.

Then there is the heavy burden of an inefficient budget, one-third of whose $550 million total is being devoted directly to the armed forces of 400,000 arms-short men; with less than 25% of the budget being left for all operating expenses outside the military as well as for capital investments.

But all these exigencies do not excuse the degree of corruption resulting from the exercise of the controls, which seems to be greater than in other semi-socialized countries.

Liberty for the Businessman (?)

On the question of liberty of action vouchsafed to the businessman, it can be assumed that his lot does not deviate from the rest of the community's. The government's rationalization of its overall philosophy in this regard is well epitomized in the following recent statement by Foreign Minister Martin Artajo, sometimes described as Generalissimo Franco's chief yes-man. In a talk before the American Chamber of Commerce June 17, at which the American Ambassador Stanton Griffis was the chief guest, Spain's Foreign Minister came up with the following choice morsel of sophistric rationization:

To appreciate the partial curtailment of liberty in contemporary Spain, it is essential to differentiate between the primary guaranteed Christian liberties of the individual citizen and certain secondary political liberties, which the Spanish Government was obliged to curb in defence of those fundamental principles that had been in danger during the civil war and were still denied or threatened througout the world by Communist tyranny."

Mixed-up ideology as well as mixed economics!

Richard M. Philler

Richard M. Philler passed away at the age of 64. Prior to his retirement he had been associated with Janney & Co. for many years.

King Merritt Adds

(Special to The Financial Chronicle)

BENICIA, Calif.—Dean A. Gay, Opal A. Hooper, James L. Sidie, and Allan A. Stramler, Jr., have joined the staff of King Merritt & Co., Inc.

Business Man's Bookshelf

Comparative Costs of Competitive Fuels—A study of Fuel Consumption by Manufacturing Industries in the United States—Leland W. McCloud—Bureau of Business Research, Department of Economics and Business Administration, West Virginia University, Morgantown, W. Va.—paper

Cumulative Voting for Directors—Charles M. Williams—Division of Research, Harvard Business School, Soldiers Field, Boston 63, Mass.—cloth—$3.00

Economic Effects of Section 102—The Penalty Tax on Unreasonable Accumulation of Profits—Tax Institute Incorporated, 150 Nassau Street, New York 7, N. Y.—cloth—$5.00.

Making Western Europe Defensible—Theodore Geiger and H. van B. Cleveland—National Planning Association, 800 Twenty-first Street, N. W., Washington 6, D. C.—paper—$1.00.

My Mission in Israel—James G. McDonald—Simon and Schuster, Inc., Rockefeller Center, New York 20, N. Y.—cloth—$3.50.

With Marache Sims

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—William J. R. Sims, Jr. has been added to the staff of Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—The ways have been greased for sliding Harry Truman out of the White House if he chooses to run in 1952—in so far as the plans of the States Righters can achieve this. Those very few persons here who know of these plans rate them as not unpromising.

If General Dwight D. Eisenhower becomes the candidate of either the Republican or Democratic parties, the States Righters, or "Dixiecrats" as they are more popularly known, will put no Presidential candidate in the field.

If the Republicans nominate Robert A. Taft or John Bricker or a Brass Monkey, and the Democrats renominate Mr. Truman, then the States Righters will put up a candidate for President. That candidate, it is predicted here, will be Senator Harry Flood Byrd, the outstanding conservative Virginia Democrat.

* * *

The States Rights National Committee, which met here several days ago, have only one objective in mind, and that is the retirement of Harry Truman. They buttoned up their plans to achieve this result, including a long meeting with Senator Byrd at his office in the Senate Office Building.

There has been no announcement, official or private, that Senator Byrd will decide to carry the banner for the States Righters. It is even possible that there will be no such announcement until close to the convention season next June, for the Dixiecrats will have no Presidential candidate unless it is Harry Truman versus Any Republican.

Nevertheless, the States Righters are comfortably feeling that they have fixed up the situation and that Harry Byrd will be their man.

* * *

There is only one way to assess the motives and plans of the Dixiecrats. That is, that the only thing which counts is getting Truman.

In other words, the States Righters are not for Eisenhower particularly, and against Taft. As a matter of fact, the seasoned professionals among them personally favor Taft over Eisenhower. They prefer the known and tested politician and Senator to the unknown and probably politically untutored military man, just as do the Republican professionals. They are convinced, on the other hand, that Eisenhower will carry most of the South.

Their attitude is simply that, after carefully assessing all their bailiwicks, they have come to the informed guess that Taft personally is not popular enough to sweep their states into the Republican column, and not popular enough to overcome the stigma of being "Mr. Republican" in the traditional stronghold of the Democratic Party.

However, their strategy is designed to give the most practical and weightiest possible assistance to Mr. Taft, if he becomes the Republican candidate. The same will apply for any other candidate other than Eisenhower.

Dixiecrats are organized in advance, and they plan, if it is Truman versus Any Republican, to put a States Right candidate on every ballot in the South. They believe that they cannot only only carry South Carolina, Alabama, Mississippi, and Louisiana, which went for J. Strom Thurmond, the Dixiecrat nominee in 1948, but probably also Virginia, Florida, Georgia, and possibly even Texas.

Such a line-up, even without Texas, would make it a prerequisite to the success of Mr. Truman against Mr. Taft or even a less potent GOP candidate, that Truman should have a real gold horseshoe in his political hat. Truman would have to get about all the populous northern states.

* * *

Few believe that Eisenhower will become the Democratic candidate and that Mr. Truman will lay down his Presidential cloak over the political mire so that the General can cross over without muddying his UN army boots. The General is widely believed to be willing to accept the nomination if it is handed to him on a platter and he doesn't have to talk even informally any nasty little political deals before the party (either party) unanimously opens its arms and folds the General to its breast. Even if the GOP professionals gave up and decided they would rate Eisenhower as a "sure bet" over somebody less sure, like Taft, whom they would personally prefer, the professionals are going to demand answers to a few little questions before he becomes their unanimous and spontaneous choice.

One of these questions will be whether, if Eisenhower is offered the GOP nomination, he will also accept the Democratic nomination. GOP professionals are going to be no party to a deal to destroy the two-party system and create the Single Party.

* * *

Just incidentally, Harry Byrd, under these circumstances, is a long shot for President of the U. S. in 1953.

The States Righters, organized before hand, are going to get Mr. Byrd's name on the ballot of several northern states, if they decide Mr. Byrd must run. It is noted that 60,000 more GOP votes in three crucial northern states in 1948 would have elected Governor Dewey, defeated Harry Truman.

It is by no means beyond the possibility that if the line-up is something like Truman versus Taft and Byrd, that no one of the three would get an electoral majority. In that case the election would be thrown into the House of Representatives. The Dixiecrats look better primed to achieve this possibility than in 1948.

* * *

If there is anything up the sleeve of the House Interstate Commerce Committee in connection with its prospective inquiry into the operations of the SEC, it is not immediately apparent.

Chairman Robert Crosser (D., Ohio) of this committee last week-end announced the naming of a subcommittee to inquire into the operations of the SEC. The Chairman of the subcommittee is Rep. Louis B. Heller, a New York Democrat, a lawyer with a Fair Deal twist. Other Democrats on the subcommittee are William T. Granahan of Pennsylvania, John A. McGuire of Connecticut, and Harley O. Staggers of West Virginia. The Republican members of the subcommittee are Leonard W. Hall of New York, John B. Bennett of Michigan, and Hugh Scott of Pennsylvania. Scott was formerly Chairman of the Republican National Committee.

The "premature" announcement that the staff of the House Judiciary Committee had turned in a critical report on SEC's supervision of United Corp., undoubtedly hastened the timing of the announcement of the Interstate Commerce Committee study, but it is doubted that it was the cause.

Representative Francis E. Walter, a conservative Pennsylvania Democrat, and Vice-Chairman of the Judiciary Committee, asked the staff of that committee to prepare for him personally the report on United Corp. He had not intended, it was said, to announce the contents of this staff study, at least at this time. And it is the Interstate Commerce rather than the Judiciary Committee which has jurisdiction over SEC legislation.

Chairman Crosser in announcing that the subcommittee would conduct an inquiry into the SEC, explained that the SEC had not been reviewed by the committee with jurisdiction over its legislation, since 1934, and said that such an inquiry was desirable to ascertion since 1934, and said that such the purpose of the laws it administers.

This appears to fit in with the committee's pattern. Throughout this year it has been holding informal, brief hearings in executive session of all these agencies over whose legislation it has jurisdiction. The committee has felt that these hearings were too cursory, and as fast as it could, it should conduct open inquiries for the very purpose of seeing how the administrators of these laws viewed their responsibilities and what kind of an administrative performance they were turning up.

In the process of this SEC inquiry, which is not termed an "investigation," the investment world will have a chance to air its complaints and bring forth evidence to sustain its criticisms.

* * *

Senator Hubert Humphrey's bill to limit a person to only one major corporate directorship is being put into a long, long sleep in the appropriate subcommittee of the Senate Judiciary Committee. It will not be considered in the imaginable future, near or far.

* * *

If you don't believe it, you can learn at government expense that the poor have a hard time. A study entitled "Making Ends Meet on Less Than $2,000 a Year," prepared by an imposing array of welfare worker organizations, was printed at government expense, under the sponsorship of the Joint Committee on the Economic Report. A 143-page report, this cost the government just a shade over $1 per copy to print 5,000 copies of this amazing and novel intelligence, which social workers with Federal connections can get free and use as propaganda with all the dignity of a "Federal" study.

* * *

President Truman's grandiose $400-million scheme for relief of flood victims together with establishing a new Federal responsibility, the insurance of damage to victims of all future floods, will get nowhere in Congress.

It is regarded by even those sympathetic with the flood sufferers as "a balant piece of Truman demagogy," and they particularly resent the President's inviting them to an Army movie of flood damage as a build-up for this legislative package.

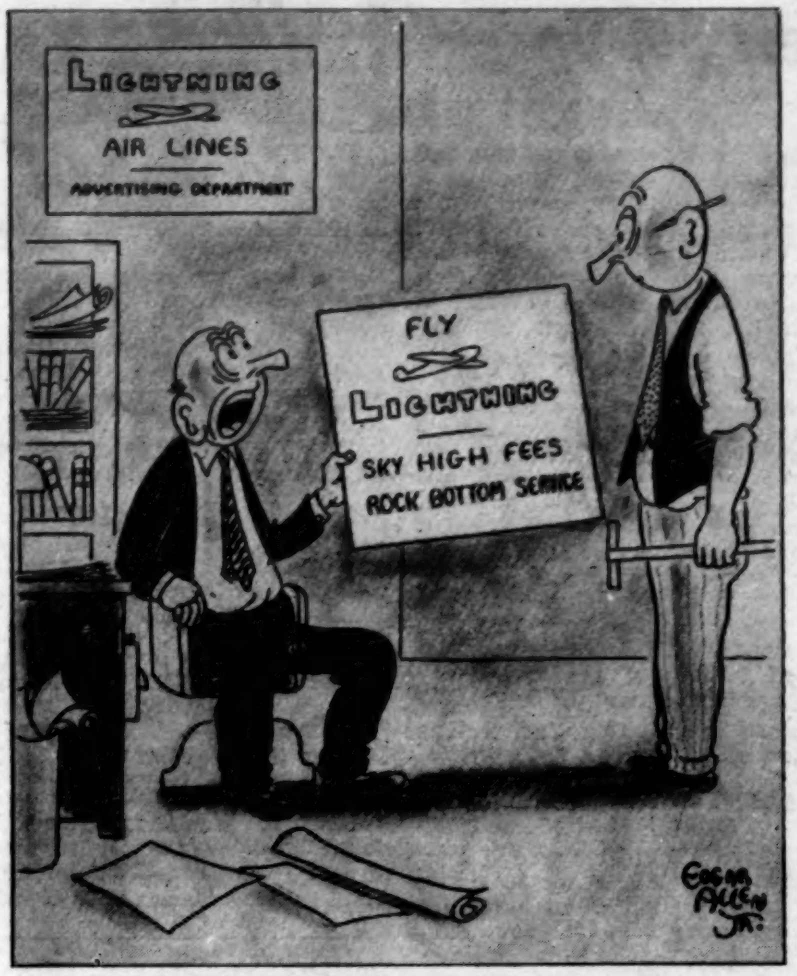
Even those members from the flooded areas privately acknowledge that the Federal Government cannot undertake to rebuild houses and repair farms damaged by every flood, tornado or hurricane.

Congress was preparing to appropriate something additional to the first $25 million for repairing things like bridges and roads and other public facilities, and to make loans available for those individuals who could qualify.

"What the President has done," said one Senator, "has been to stir up hopes among the flood victims that Congress will pay most of their damages. This will cause the flood victims in many cases to delay going ahead with their own best efforts. On the other hand, by linking flood relief to this impossible plan of insurance of flood damage, which Congress will not approve, the President has delayed the action which Congress will feel free to take in a more limited way."

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"Just once, Snitzle, I'd like to see you handle something without lousing it up!"

Rejoins Link, Gorman Firm

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Einar Graff has rejoined the staff of Link, Gorman, Peck & Co., 208 South La Salle Street, members of the Midwest Stock Exchange. He has recently been with Webber-Simpson & Co.

With W. T. Grimm

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John B. Hawthorne is now associated with W. T. Grimm & Co., 231 So. La Salle Street. He was formerly with Kidder, Peabody & Co.

Arnold, Cassidy Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Andrew J. Marsh is now with Arnold, Cassidy & Company, 448 South Hill Street.

3 With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Ralph E. Adams, Harry E. Hanson, and Arthur L. Peapples are with Waddell & Reed, Inc.